

WORLD NEWS THE BRAZILIAN DEVALUATION

Policymakers hold their breath on Brazil



Cardozo: fingers crossed AP

By John Authers in New York and Gerard Baker in Washington

A Brazilian collapse has been at the top of US policymakers' list of worst nightmares for most of the last year.

fastest growing market for American goods and services, and Brazil is the largest country in Latin America.

roughly 20 per cent of the total. However, the initial reaction from companies was that Brazil and the rest of the region had been expected to show very slow growth this year.

this time without the happy ending. Michael Moskow, head of the Chicago Federal Reserve Bank, said Brazil was a "very key country" and the situation serious.

availability of credit to companies, and there were fears this could be translated into a broader recession.

her liquidity slowdown. Issuance of bonds by companies is returning to normal, but spreads over treasury bond yields remain high by historical standards.

But officials are not hitting the panic button yet. Brazilian demand, along with that of the rest of Latin America, was already slowing sharply in the second half of last year, so the impact on US exports was already being felt.

CENTRAL BANK LOOKING FOR RATE CUTS

Brazil 'will hold talks with IMF'

By John Barham in São Paulo

Francisco Lopes, the new president of Brazil's central bank, said yesterday that devaluation of the Real was not included in last year's stand-by agreement with the International Monetary Fund.

"We have to go back and talk to the Fund", he said yesterday, conceding that he was not sure what kind of "arrangement" the IMF now expected from the Brazilian government.

Brasilia was "counting on support from the Fund", he said.

Mr Lopes said he aimed to cut interest rates without accelerating the devaluation of the Real.

But he warned that progress depended on rapid passage of government economic measures in Congress.

The new exchange rate policy would discourage "hot money" inflows of short-term capital, Mr Lopes said.

He admitted that the government was wrong to allow the entry of large quantities of hot money into the country last year.

Mr Lopes said Brazil now had "the potential to reduce interest rates. This will become reality if we advance in fiscal policy."

He said yesterday's measures had now drawn a line under further exchange rate adjustments.

Mr Lopes said the central bank would intervene in currency markets only when the Real reached the ceiling

or hit the floor of the new band for three consecutive working days. Previously, the central bank intervened daily to defend the Real's parity. Now, he said "we will only defend the extremes of the band."

According to the central bank's new policy, the Real will be allowed to depreciate by a total 12.15 per cent this year, which would include yesterday's fall in value.

Under the previous exchange rate regime, the currency could only depreciate by an annual 7.5 per cent.

Mr Lopes said that, under the new mechanism, if the Real was relatively strong and traded close to the floor of its band, the central bank would allow it to devalue by 5.9 per cent from now until the end of the year.

However, if the currency continued to trade closer to the weaker end of the band, the central bank would allow a further devaluation of only 3 per cent.

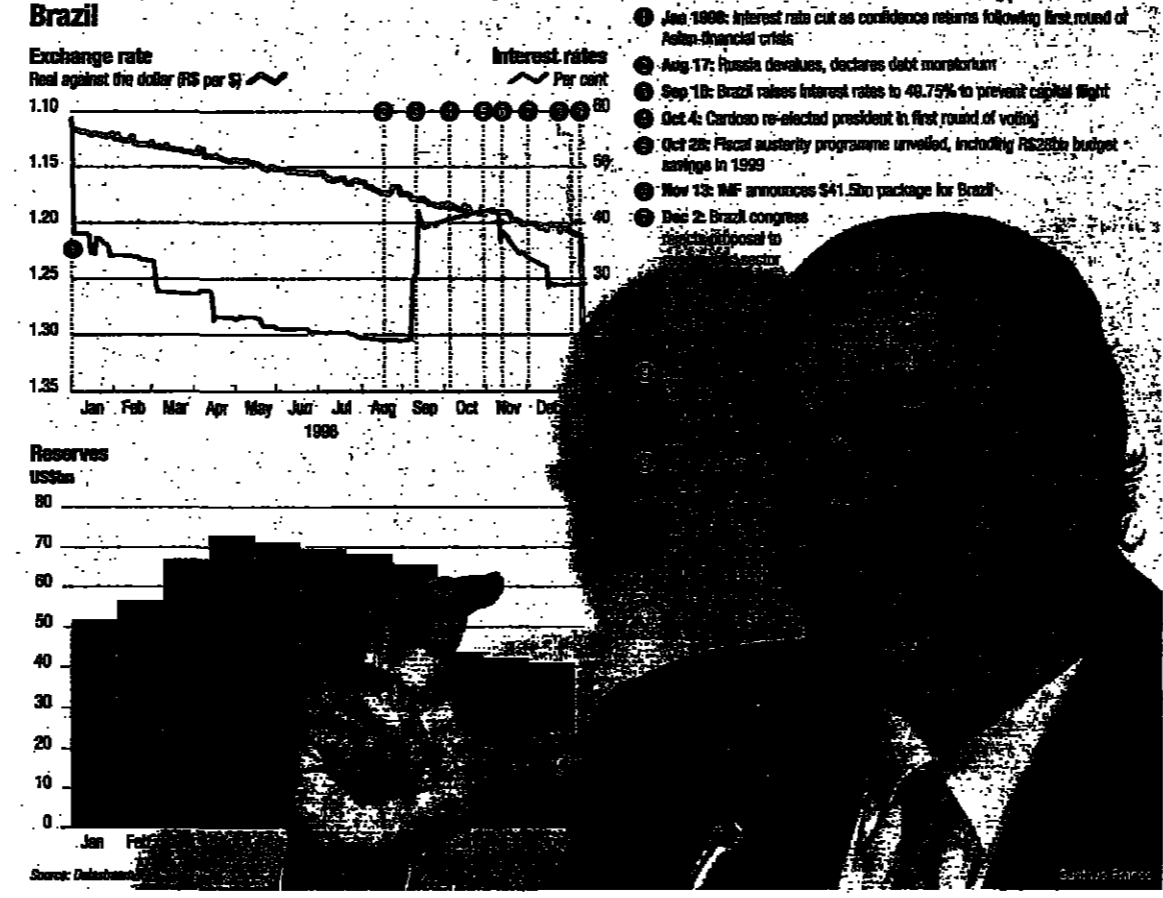
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TELECOMS Operators face lower margins

By Alan Cane in London, Tom Burns in Madrid and Paul Betts in Milan

International telecoms operators are likely to be hit by Brazil's devaluation, which will affect both tariffs and margins in a market which has attracted massive investment in recent years.

Overseas operators active in the region include Telefonica of Spain, Telecom Italia and MCI WorldCom of the US, a partner in the wireline group Embratel.

Damon Guiridham, emerging markets specialist with brokers Morgan Stanley Dean Witter in London, says there is little positive for telecom operators in devaluation. Most face heavy costs, usually denominated in foreign currencies, of building and upgrading networking infrastructures.

Telefonica, which almost doubled its Latin American investments last summer with a \$8bn buying spree in Brazil, said yesterday its commitment to expand in the country remained unchanged.

MOTOR INDUSTRY Promising image will be tarnished

By Haig Shmonian, Motor Industry Correspondent

Brazil's decision to devalue the Real will heighten the uncertainty facing the country's vehicle makers, which have already been battered by a 21 per cent fall in sales to 1.53m units last year, raising the risk of severe overcapacity.

The latest upset will further tarnish Brazil's image of the mid-1990s as one of the most promising markets for the motor industry on the back of economic liberalisation and soaring demand.

The impact will be felt hardest by Volkswagen, Fiat, General Motors and Ford, the country's "Big Four" carmakers, which together account for 90 per cent of sales.

However, it will also severely affect newer arrivals, such as Renault and DaimlerChrysler, which have invested heavily in new plants in recent years.

GLOBAL EMERGING MARKETS Reaction may be short-lived

By Alan Bastin in London

The crisis in Brazil had knock-on effects throughout emerging markets yesterday, but there were signs some of the market reaction would only be short-lived.

The emerging market bond index (EMBI), a measure of the risk attached to investing in emerging markets, showed a rapid rise as investors sought to shift capital towards safe havens.

From a recent level of around 1,100, suggesting investors were demanding an extra 11-percentage point return to hold emerging market debt over US Treasuries, the EMBI shot up to above 1,400 yesterday.

Other reactions included an increase in activity in the forward market in Hong Kong dollars. The body blow dealt to the Brazilian crawling peg has increased fears that Chinese capital controls and the Hong Kong dollar peg may be the next to go.

Traders were reporting a rapid increase in volume in the Hong Kong dollar forward market, the main method of speculating that

LATIN AMERICA

Argentina to defend dollar peg

By Ken Warn in Buenos Aires and Henry Tricks in Mexico City

Argentine officials yesterday vowed to defend the currency's one-for-one peg to the US dollar, the linchpin of the country's economic policy, as Latin American markets tumbled in the wake of the Brazilian devaluation.

Across the region, governments struggled to differentiate their economies from that of Brazil.

Argentina's Merval share index was down 6.85 per cent in afternoon trading at \$68.5, while its Brady bonds also registered sharp falls.

The one-for-one parity is not a government matter but a demand and requirement of the people," Rogelio Frigerio, Argentina's economic planning secretary, said.

Nonetheless, the Brazilian policy shift caused deep dismay among policymakers.

Many senior Argentine officials were yesterday returning from Washington, where they had made repeated attempts to talk up the Brazilian authorities' chances of avoiding a devaluation.

Many analysts believe Argentina's economic fundamentals are sufficiently strong to allow it to maintain the dollar peg and ultimately to differentiate itself from Brazil in the minds of investors.

Mexico had already "taken decisions regarding its economic policy, its 1999 budget. We are not half-way through, we are not in the middle of a legislative process in which we have uncertainty, as they have in Brazil," Mr Gurria said.

They also said growth was at risk throughout the region.

BANKING SHARE PRICES OF BANKS WITH BIG BRAZIL EXPOSURE SUFFER SHARP FALLS

Spanish groups take heavy hit

By George Graham in London, Tom Burns in Madrid and Tony Barber in Frankfurt

European banks quickly felt the effects of yesterday's Brazilian crisis, as the share prices of institutions with heavy Latin American exposure tumbled.

for control of São Paulo-based Banco Excel Econômico, one of Brazil's largest financial institutions, and Santander has spent some \$300m since 1997 building up its Brazilian presence.

Spanish banks have led the charge into Latin America, and Banco Bilbao Vizcaya and Banco Santander, the two big banking groups which have acquired units in Brazil, suffered yesterday.

BBV's share price closed 12.54 per cent down at €11.69 (\$13.5) on Madrid's Bolsa, and the value of Santander's shares dropped by 12.81 per cent to €14.28.

BBV paid \$460m last year an increase of 18 per cent to one of 15 per cent, and at Santander from 17.5 per cent to 14 per cent.

In London, Lloyds TSB and HSBC Holdings have both expanded in Brazil. Lloyds saw its shares drop 43p to \$21.5p (\$13.79).

HSBC, whose shares fell 125p to 1,828p yesterday, took over the troubled Bamerindus, but only after central bank intervention which resulted in most of the loan book being stripped off.

such as Credit Suisse and ABN Amro have also expanded in Brazil through acquisitions.

Wholesale lending to the region could also leave German banks heavily exposed. According to the Bank for International Settlements, German banks account for 12.3 per cent of foreign lending to Latin America, compared with 24.3 per cent for US banks and 9.6 per cent for Spanish banks.

Bundesbank data last year showed German banks had lent about DM70bn (\$41.90bn) to Latin America, higher than the DM56bn they had lent to Russia before its effective-debt default last August, but below their DM130bn of

leading to Asian countries excluding Japan and Korea.

"The German banks get cover from state guarantees, but the risk that they'll have to make extra risk provisions has grown," one banker in Frankfurt said.

US banks have tended to be more exposed to securities and derivatives-trading portfolios, which are not reflected in the BIS lending statistics.

Within the US, Bank Boston and Citigroup, with established Brazilian banking affiliates, are the two groups thought to have the greatest exposure.

Citigroup is larger than any European bank, its holdings in Brazil are more readily cushioned by its other earnings.

Additional reporting by Paul Betts in Milan

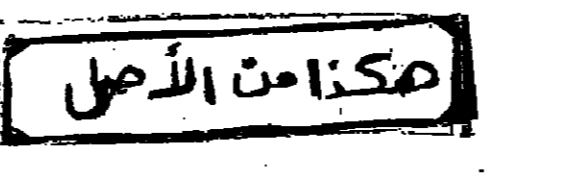
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Santer misjudges growing confidence of an institution that has 'come of age'

Neil Buckley sketches the making of a now much more assertive parliament that did not take kindly to the EU president's challenge to 'back us or sack us' over fraud

It may have been one of the biggest political own goals in the short history of the European Union.

When Jacques Santer, president of the European Commission - the officials who run the EU - called last month for the European parliament to sack him or sack him over allegations of fraud and mismanagement by his bureaucracy, the plan was simple.

Parliament would hold a censure motion and vote against it. Although the 626 MEPs (Members of the European Parliament) theoretically could sack Mr Santer and the 19 commissioners who with him head the bureaucracy, they would not. His team would emerge intact, even strengthened.

This week, however, parliament rewrote the script. Mr Santer has spent three days battling to save his own job and those of his colleagues, even if the attempts to topple him were running out of steam last night.

A lesson can be drawn. The parliament is chaotic,

unpredictable, infuriating, sometimes juvenile. But it can no longer be trifled with. As one MEP remarked on the week's events, "It's a shambles, but it's history."

The parliament originated in 1951 as the Common Assembly of the European Coal and Steel Community, with 78 members nominated by the national parliaments of the six founding countries. As the Community has evolved into the EU, the assembly - renamed the European parliament in 1962 - has developed in tandem.

A big step forward came in 1979 when EU-wide elections were held involving 190m people. But its powers have so far lagged behind its ambitions to be the democratic check and balance on other members of the EU's law-making "triangle" - the Commission, which proposes legislation, and the Council of Ministers (the relevant cabinet ministers from the national governments), which long had a near-monopoly on amending and adopting legislation.

Parliament has always had important powers over the EU's budget (currently €80bn or \$95bn), including the right to modify or reject it - and ensure the Commission administers it properly.

Its supervisory powers over the Commission include the right to a censure motion, and to confirm the appointment of the Commission president.

Parliament's legislative role, however, has evolved from the right merely to be consulted, to "co-operation" with EU ministers that allowed it to put forward amendments itself in some areas, and, since the 1992 Maastricht treaty, the right of "co-decision" in some fields.

"Co-decision" in effect makes it co-legislator with the council of ministers, able to veto laws if ministers do not take account of parliament's amendments.

The 1997 Amsterdam treaty, now being ratified by the 15 EU member states, gave parliament another important boost. Once in

force, it will give MEPs the right to veto candidates for president of the Commission, rather than offering an opinion. It will also extend "co-decision" from 15 legislative areas to 38.

Parliament is already widening its horizons. As EU heads of government talk of the need to bring the Union closer to its citizens, it aspires to be a genuine "forum" reflecting the concerns of ordinary people.

With the launch of the single currency, the parliament wants to develop powers as a check on the European Central Bank. It already holds quarterly hearings with Wim Duisenberg, ECB governor, which MEPs hope could become the European equivalent of US congressional hearings with the Federal Reserve chairman.

Parliament's anti-fraud campaign in recent months has shown evidence of an increasingly self-confident body. Elections in June have helped embolden MEPs.

But parliament has huge weaknesses. It asked for, but

The European Parliament

Legislative powers

- Right to be consulted and deliver opinions on EU legislation
- 1987 Single European Act introduced "co-operation" procedure with EU ministers, allowing parliament to put forward amendments to laws on the single market
- 1991 Maastricht Treaty introduces "co-decision" procedure - in effect giving parliament role as co-legislator with EU ministers in 15 areas, extended to 38 areas by 1997 Amsterdam Treaty

Budget powers

- Can amend the EU's draft budget
- Final say on "non-compulsory" EU spending
- Approves European Commission's management of the budget

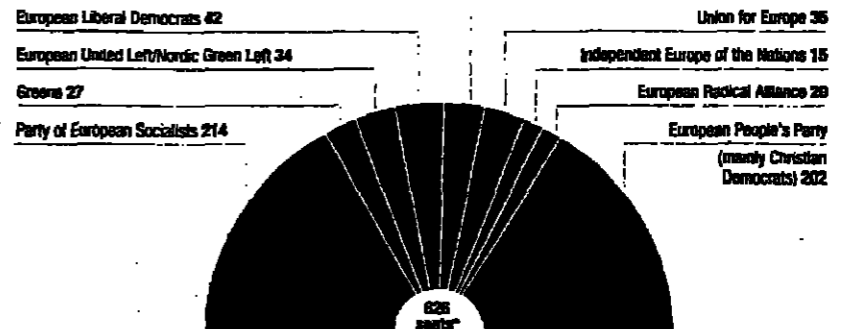
Democratic supervision

- Right to approve appointment of Commission president; Amsterdam Treaty gives full right to veto candidate for president
- Can pass censure motion forcing all 20 commissioners to resign
- Right to ratify foreign treaties



Members	MEPs	MEPs	
Austria	21	Italy	67
Belgium	26	Luxembourg	6
Denmark	16	Netherlands	31
Finland	16	Portugal	25
France	37	Spain	64
Germany	39	Sweden	22
Greece	25	UK	67
Ireland	15	Total	626

Political groups (seats)



did not get in the Amsterdam treaty, powers to sack individual commissioners, leaving it only with the "nuclear option" of a censure motion. It is hamstrung by having, for historical reasons, to hold 12 meetings a year in Strasbourg, France, requiring MEPs and officials to decamp in their thousands from Brussels. MEPs' lavish expenses and allowances have also exposed them to attack by national

governments and undermined any attempt to take the moral high ground over fraud allegations.

And as this week has shown, important issues can become hopelessly wrapped up in party political manoeuvring and mud-slinging more reminiscent of student politics. All those weaknesses may have persuaded Mr Santer to underestimate the risks of his "back us or sack us" call last month.

But one commissioner said yesterday the Brussels bureaucracy already took parliament very seriously: "When I first came to the Commission, senior officials tended to regard parliament as little more than a nuisance. That has changed out of all recognition," he said. "Of course, people learn at different rates. Some are a steep learning curve."

Despite the compromises and playground politics, Europe's parliament is likely to emerge from this week's confrontation with its position in the EU framework firmly asserted. As Pat Cox, the European Liberal Democrat leader, insisted yesterday: "This house is entering its 21st year of service as a directly elected institution. This is a powerful way to mark our coming of age."

See editorial comment

Fresh Kosovo crisis averted by soldiers' release

By Guy Dinmore in Belgrade

International monitors yesterday defused a fresh crisis in Kosovo by securing the release of eight Yugoslav soldiers held by ethnic Albanian rebels, but western diplomats feared the Serbian province was nonetheless heading back towards full scale war.

William Walker, the US ambassador heading the international verification mission, said the separatist Kosovo Liberation Army (KLA) had freed the eight men "as part of a fair and balanced deal".

He gave no details of the deal but diplomats, who asked not to be named, said that in exchange the Serbian government would next week release nine ethnic Albanians taken prisoner last month while crossing into Kosovo from Albania.

Serbian armoured units surrounding the area in northern Kosovo had threatened to use force if monitors of the Organisation for Security and Co-operation in Europe (OSCE) failed to free the hostages, who blundered into KLA lines in fog last Friday. Belgrade had insisted on their unconditional release and OSCE officials admitted privately they were sceptical the nine ethnic Albanians would be let go. A spokesman for the KLA said that promises

made by the Serbian side through OSCE mediators had to be kept.

The former British and US army officers who negotiated the release with both sides also succeeded last month in mediating an end to serious clashes around the northern town of Podujevo.

Diplomats paid tribute to the OSCE mission, which has gone beyond its mandate of monitoring a ceasefire and partial withdrawal of government forces. But they said the OSCE could not be expected to prevent war in the absence of a long-term political settlement.

Months of shuffle diplomacy by US envoy Chris Hill have resulted in little progress. Neither side appears willing to accept a compromise that would give Kosovo and its ethnic Albanian majority substantial autonomy within the Yugoslav federation that now comprises just Serbia and Montenegro. Two ethnic Albanians were killed by unknown men in separate incidents yesterday. The body of a third man was found near the village of Likovac, where Mr Walker and other senior diplomats held hours of talks with KLA representatives.

Over 100 people have died in the conflict since Slobodan Milosevic, president of federal Yugoslavia, agreed three months ago to a partial withdrawal of his forces.

Italy concerned over euro charges

By David Lane in Rome

Italy's treasury has expressed concern at the "high charges" Italian banks are demanding to exchange euro-zone currencies, and has appealed to them to bring their pricing policies into line with the spirit of the single currency project.

A treasury statement said the government shared public concern over the cost of exchanging euro-zone currencies in Italy. These costs were supposed to fall with the launch of the euro, due to the elimination of exchange risk between currencies that are locked together at fixed rates.

But far from paying less for foreign exchange operations at their bank branches since January 4, when the lira was merged into the euro, many Italians appear to face higher charges than before.

In fact, in some cases buying or selling banknotes of non-euro-zone currencies such as the dollar or pound sterling could even cost less than exchanging lire for D-Marks or French francs or other denominations within the euro-zone.

Banca di Roma has a fixed commission of 15,000 (\$3) plus 3 per cent of counter-value for operations in euro-zone currencies. It charges a fixed commission of 15,000 when currencies outside the euro-zone are involved.

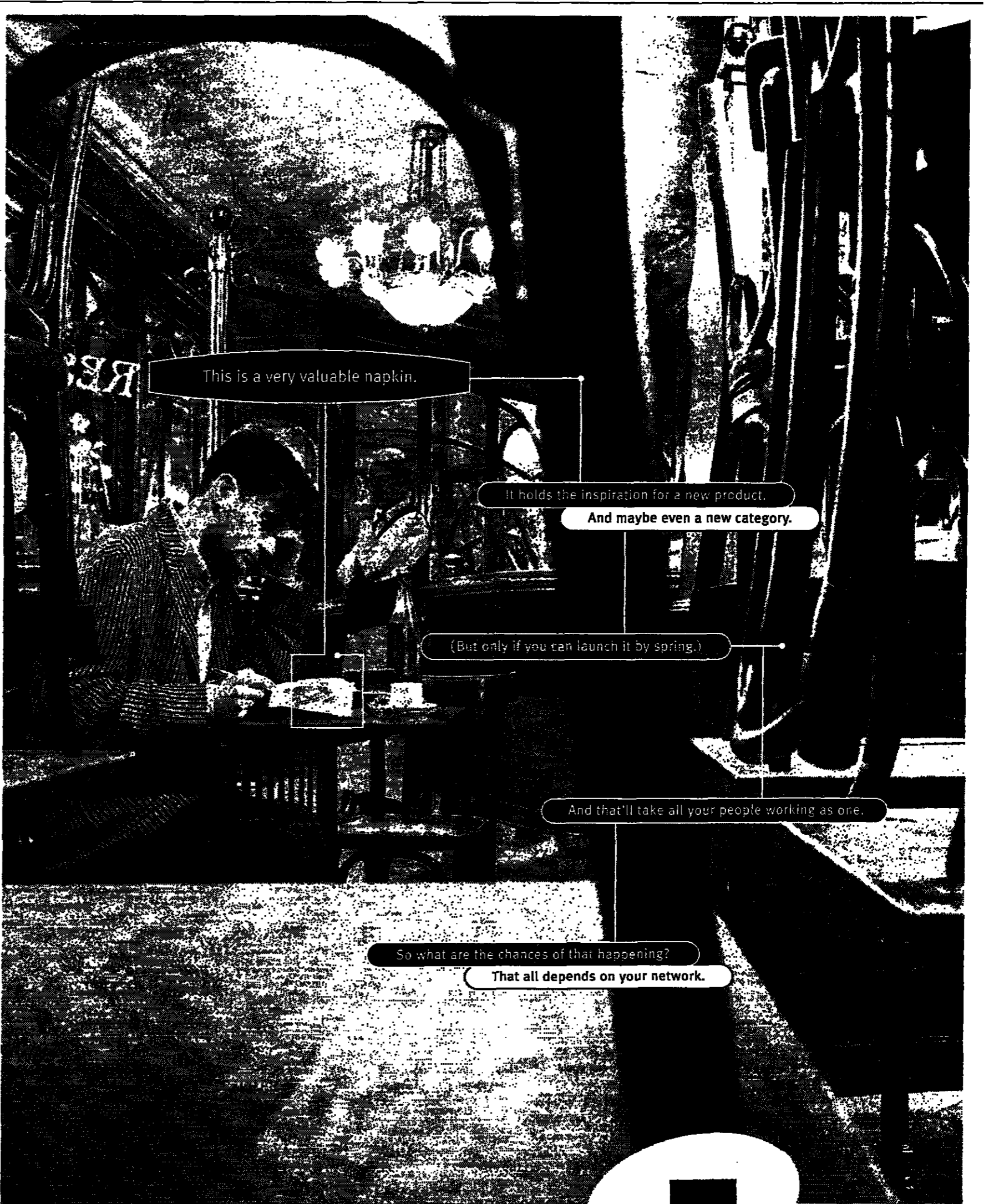
Whether it makes as much as 3 per cent on the buy and sell spread for currencies outside the euro-zone is not clear. San Paolo IMI charges 15,000 plus 1.5 per cent for euro-zone currencies, and a commission of 16,000 for operations involving currencies outside the euro-zone.

Associazione Bancaria Italiana (ABI), the Italian banking association, said accusations that its members were profiting unfairly from operations involving euro-zone currencies were baffling. It noted the euro's arrival had not eliminated the costs of changing banknotes, staff time, banknote transport between branches, and insurance.

The association argues that changing banknotes is a service and in a market economy banks may charge what the market will allow.

Greece's central bank yesterday cut 25 basis points off its main intervention rate in response to a sharp fall in inflation, writes Kerin Hope in Athens. Analysts said the cut in the Bank of Greece 14-day deposit rate from 12.25 per cent to 12.0 per cent indicated a swifter convergence of Greek interest rates with the euro-zone countries.

Inflation slowed to 3.9 per cent in December, boosting Greece's chances of joining the euro in January 2001, the ambitious goal which the government has set for itself.



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on Brazil

AMERICA
Argentina
defend
dollar peg

EMERGING MARKETS
reaction may
short-lived

EUROPE

Bonn urges integration of foreigners

By Ralph Atkins in Bonn and Frederick Stüdemann in Berlin

Germany's Social Democratic-led government yesterday appealed for closer integration of 7.5m foreign residents as it published plans for overhauling citizenship laws and sanctioning dual nationality.

Long-time resident foreigners had a better crime record than comparable groups of Germans, Mr Schily said. "You can sleep well," he said. "These people overwhelmingly abide by the laws here. They support our work. We need them. They pay tax and social security contributions. They create jobs - hundreds of thousands."

The labour market. Almost half of today's resident foreigners have lived more than 10 years in Germany. The bill aims to make citizenship easier to obtain for these people. By tolerating dual nationality, it would no longer force applicants to surrender ties to another country.

Children born in Germany of foreign parents would be entitled to German nationality if one parent was born in the country or had arrived aged under 14. Germany's new rules could prove less onerous than, for instance, US requirements, which include an oath of allegiance to the US constitution, knowledge of US history, command of the English language as well

as a "good moral character". Mr Schily's draft legislation is opposed by the Christian Democratic Union, which objects to dual nationality and is expected to start collecting signatures in a protest action in the run-up to state elections in Hesse on February 7.

The bill was due to be discussed by senior Social Democrat and Green party leaders in Berlin last night at a meeting called to resolve policy differences within the governing coalition and map out priorities for 1999. The main subject, however, was nuclear energy policy, which has exposed deep splits in Chancellor Gerhard Schröder's administration. Ahead of the meeting, the economics ministry and the Green-controlled environment department reached a deal on amending the country's atomic law ahead of an eventual closure of Germany's 19 atomic power stations.

France extends 35-hour week to EdF

By Robert Graham in Paris

The introduction of the 35-hour week has been extended to France's state sector in an agreement between management and unions at EdF, the electricity monopoly.

EdF is already seen as having a higher personnel cost-basis than most of its competitors in the European Union. The agreement also comes barely more than a month before the European electricity market is to be partially liberalised.

Another controversial aspect of the accord is the extension of government subsidies, equivalent to FF5,000 (\$890) for each new person hired. Although this is less than half the subsidy

available to private sector companies implementing the 35-hour week, some commentators questioned the government providing financial assistance in this way to a state company that already employs 139,000 people.

Dominique Strauss-Kahn, finance minister, yesterday called the accord "extensive". He said it would help the competitiveness of both EdF and Gaz de France, its sister gas group. An EdF statement also underlined

that the agreement involved greater work flexibility, salary moderation, longer opening hours to the public and an early retirement scheme for up to 15,000 people over the next three years. When proposals for the 35-hour week were first unveiled in October 1997 as a means of creating jobs, the state sector was specifically excluded. Even now, 40 state employers are excluded.

NEWS DIGEST

TRANSATLANTIC DIALOGUE URGED

Bonn, Paris warn against excessive rise in euro

Oskar Lafontaine and Dominique Strauss-Kahn, the German and French finance ministers, yesterday warned against an "excessive appreciation" of the euro and called for a common position on exchange rates by members of the newly launched currency zone.

In addition, the finance ministers called in a jointly authored newspaper article for a "new transatlantic dialogue" to ensure the world's two main currencies - the euro and dollar - did not become a "source of instability".

MANOEUVRING IN MOSCOW

Yeltsin impeachment vote soon

Gennady Zyuganov, Russian Communist party leader, said yesterday a vote to impeach President Boris Yeltsin in the Duma, the lower house of parliament, could come as early as February.

Mr Zyuganov said that a Duma committee that was considering five impeachment charges against President Yeltsin was working well and would present its findings soon.

However, under the 1993 constitution drawn up by Mr Yeltsin, it is all but impossible to remove the president from office and few politicians attach great significance to the proceedings.

Mr Zyuganov said he believed that one of the five charges - an accusation that Mr Yeltsin had illegally launched the catastrophic 1994-96 war against the break-away Chechnya region - would garner the necessary 300 votes to pass in the 450-seat chamber.

Liberals, as well as Communists and nationalists, support the Chechnya charges. Four other charges against Mr Yeltsin, ranging from bringing about the break-up of the Soviet Union to "genocide" against the Russian people, are supported only by Communists and their allies, who are short of a majority. Moscow, Reuters

IRAN 'MILITARY AID'

US puts sanctions on Russians

The US yesterday announced economic sanctions against three Russian scientific institutes alleged to have helped in the development of Iran's military programme.

Sandy Berger, national security adviser, said the US was banning imports to and exports from Nikiet, the Mendeleev University of Chemical Technology and the Moscow Aviation Institute for "providing sensitive missile or nuclear assistance to Iran".

The sanctions follow similar US action against seven other Russian institutes last July. Mr Berger said that since then progress on preventing military co-operation between Russian institutes and Iran had "come to a halt".

Yevgeny Primakov, Russian prime minister, said the decision risked damaging US-Russian relations, and Igor Sergeev, defence minister, said that the action was politically motivated and that the institutes did not have the resources to undertake the activities alleged by Washington.

The US previously expressed concern at the end of November at a deal under which Russia would complete the construction of an Iranian nuclear reactor and bid for three others. Andrew Jack, Moscow

STRAINS IN COALITION

Two Swiss ministers resign

Switzerland's two longest-serving cabinet ministers have announced their resignations, underlining the growing strains within Switzerland's 40-year-old coalition.

Flavio Cotti, 59, foreign minister, and Arnold Koller, 65, justice minister, will step down at the end of April. Both are members of the centre-right Christian Democrat party (CDC) and joined the seven-strong Swiss government in 1988. Under the so-called "Magic Formula", Switzerland's three biggest political parties always supply two ministers each to the government and the Swiss People's party (SPP) supplies one. However, support for the SPP, under the leadership of Christoph Blocher, a successful businessman and opponent of Swiss membership of the European Union, has been increasing. It has been pressing for an extra seat in the Swiss government that could lead to a breakdown of the Magic Formula, which has dictated the membership of the Swiss government since 1959.

The CDC has been losing support to Mr Blocher's party and yesterday's move was seen as a move to rejuvenate the party ahead of the country's national election in October 1999.

Klaus Stöckli, a public affairs commentator, said yesterday that the CDC was "in serious trouble" and 1999 could see the collapse of the Magic Formula. However, Mr Blocher's party is also deeply divided with Adolf Ogi, the SPP's only member of the government, becoming increasingly isolated from Mr Blocher's branch of the SPP. William Hall, Zurich

SWEDISH MANUFACTURING

Bid to stop company exodus

The Swedish government is planning to convene a special meeting with union leaders and industry executives to discuss ways of encouraging leading companies to remain in Sweden, rather than move headquarters or manufacturing overseas.

The move follows warnings from LO, Sweden's main blue-collar union organisation, that an exodus of leading companies was undermining jobs in manufacturing industry. Such concerns have intensified on market expectations of a possible merger or strategic alliance involving Volvo, the Swedish automotive group, with either Ford of the US or Italy's Fiat.

Björn Rosengren, trade and industry minister, said yesterday that he would invite employers and unions to a meeting later this week. Nevertheless, he claimed Volvo was staying in Sweden regardless of any possible changes in ownership, and pledged action to try to stem the corporate exodus from the country. "I expect that Volvo will not leave Sweden... other owners can be complementary but Volvo's departure is not on the agenda," he said. Volvo declined to comment. Tim Burt, Stockholm



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Handwritten Arabic text: "سكف من الاموال"

Charges against... war amend...

speculation fore...

Yakubara... might in a... currency bind...

MALAYSIA TRIAL PROSECUTION CASE NOW EASIER, SAYS DEFENCE

Charges against Anwar amended

By Sheila McNulty in Kuala Lumpur

The judge presiding over the trial of Anwar Ibrahim, Malaysia's sacked deputy prime minister, yesterday accepted prosecution amendments to four abuse-of-power charges that appeared to defence lawyers to make it easier to find him guilty.

They said the changes seemed to enable the prosecution to prove its case without establishing that Mr Anwar performed the sexual misdeeds it is accusing him of trying to cover up.

Defence lawyers also protested that the amendments tightened the breadth of the charges, after the prosecution had spent months introducing "sordid testimony" about Mr Anwar, who, they said, had also endured being jailed and beaten by police.

Raja Aziz Addruse, Mr Anwar's lead counsel, noted that the prosecution had

throughout accused Mr Anwar of sexual misconduct and sodomy, even introducing a mattress as evidence. "Having smeared his reputation, it is unjust and highly prejudicial to the accused if the charges were allowed to be amended as proposed," Mr Raja Aziz said.

Abdul Gani Patail, chief prosecutor, said the crime of abuse of power, not sexual misconduct, behind the four charges was unchanged. High Court Judge Augustine Paul agreed: "In my view that it's no real substantive change. The accused isn't prejudiced by these amended charges."

Mr Anwar told reporters in court: "They already stripped me naked. Now they are amending the charges." Wan Azizah Wan Ismail, his wife, declared: "At this late stage, the truth is crystal clear to the whole world. The prosecution set out to prove to the world that Anwar Ibrahim is a sodomist and guilty of sexual misconduct. These allegations collapsed. Anwar will be vindicated with the grace of God. The prosecution's retreat into legal technicality, of their right to amend, cannot mask the truth."

The four charges are the first of 10 levelled against Mr Anwar to be brought to court. They alleged Mr Anwar ordered police officers to obtain retractions from two people who accused him of sodomy and sexual misconduct.

The amendments now speak of "allegations" of sexual misconduct and state Mr Anwar attempted to protect himself from "embarrassment" instead of "criminal action or proceedings".

Mr Anwar denies all charges as part of a plot to punish him for becoming a threat to prime minister Mahatir Mohamed's rule.

Editorial comment, Page 11



Wan Azizah Wan Ismail, wife of Anwar Ibrahim, joins supporters outside the court yesterday. Reuters

Speculation forces up HK interest rates

By Louise Lucas in Hong Kong

Hong Kong interbank interest rates rose sharply yesterday as speculative traders, including hedge funds, turned their attentions back to the territory, traders said.

The rise in interbank rates (the level at which banks borrow from each other) came as share prices dived. The benchmark Hang Seng Index fell 4.09 per cent to 10,773.77. Redchips, or China-backed companies, fared far worse following revelations

of higher than expected debt levels at companies under the Guangdong Enterprises (GDE) group.

Hedge funds bore the brunt of the blame for the attacks on Hong Kong in August.

Speculators swooped on the Hong Kong dollar, linked to the US dollar at a rate of US\$1:HK\$7.8 via a currency board, which backs up every Hong Kong dollar with its equivalent in US dollars. Under the currency board mechanism, interest rates rise when Hong Kong dollars

are sold down. Share buying by the Hong Kong government helped put the hedge funds in retreat but traders spotted signs of a return yesterday with "unusual" activity taking place overnight in London and New York. These transactions, made outside the Asian time zone, suggested they were carried out for trading purposes rather than genuine hedging, traders said.

Yesterday the benchmark three-month interest rate opened almost 1 per cent higher on Tuesday's close of 5.6 per cent, and the six-month interbank interest rate hit a high of 7% up more than 1.5 per cent in four trading days.

Other players were also pushing the interest rates up. Corporate borrowers and banks, believing rates have hit a bottom, are seeking to lock in interest rates at these levels.

Andrew Fung, treasurer at Commonwealth Bank of Australia, said there was a combination of players taking advantage of low interest rates. "Short selling the Hong Kong dollar at 5.5 per cent is pretty cheap," he said. "That makes it very tempting for traders to take a view and try their luck in the Hong Kong dollar."

Short sellers sell currency they do not own, in the expectation they can buy it back at a cheaper price. Those short selling currencies pay an interest-rate differential which is effectively the borrowing cost.

The Hong Kong Monetary Authority, the territory's de facto central bank which fended off previous attacks, said curbs and other measures put in place last year would strengthen the currency board system and make it less vulnerable to manipulation. However, officials are remaining on alert.

On Tuesday, GDE Group told creditors its debts stood at US\$2.9bn at the end of last year and was unable to meet all its repayments. The share price of GDE unit Guangdong Holdings fell 52.8 per cent to HK\$0.59 yesterday, while the overall redchip index shed 12.5 per cent.

Sakakibara caught in a currency bind

By Gillian Triff in Tokyo

For the past year, a popular guessing game among financial bureaucrats has been how long Eisuke Sakakibara could survive in his post as Japan's vice-finance minister.

This week the speculation gathered pace. For just a week after Mr Sakakibara warned the dollar should weaken, the government intervened on Tuesday to halt the yen's rise. And as the markets digest this apparent policy flip-flop, Mr Sakakibara's words have attracted some strong, behind-the-scenes criticism from some of his fellow bureaucrats.

"What Sakakibara has said was not helpful for the Japanese economy," mutters one senior official, who, like many, blames the yen's rise on Mr Sakakibara's comments. Such arguments have had limited impact to date, since the ministry, rather than the bank, decides exchange rate policy. But Mr Sakakibara has opponents within the ministry as well. And last week's yen surge also deeply alarmed some politicians. Consequently, though the ministry still shows little desire to let the yen drop back to Y140 again, it appears to be determined to keep the yen below Y110 for the moment - not least because it can ill afford public criticism at present.

This is likely to mean that a level of Y120 to Y110 will be targeted for the moment. But another, potentially more crucial, battle is looming. For the ministry is attempting to bully the bank into purchasing more Japanese government bonds to stop long term interest rates surging further. Indeed, some bureaucrats and politicians argue that the yen's strength should create the perfect conditions for this potentially inflationary step.

But the bank, which prides itself on central banking orthodoxy, is opposed to this. Indeed, some officials are so horrified that they have threatened to "blow the whistle" on Japan's spiralling debt problems in retaliation. And though there is little sign the bank will take this radical step soon, it suggests that the policy tussle could become far more bitter soon if the economy sits irrespective of any comments from Mr Sakakibara.

And he supports the argument advanced by some economists, such as Richard Koo of Nomura Securities, that a stronger yen can help Japan by shrinking the banks' overseas assets, and thus improving their capital adequacy ratios.

However, most senior Bank of Japan officials take a different stance. For, although Masaru Hayami, the bank's governor, dislikes an excessively weak yen, most other officials firmly believe that Japan's interests would be best served by letting the yen slowly weaken, even below the Y147 level reached last year.

One reason is that Japan's banks' overseas assets are already declining as a proportion of their overall operations. Another is that the bank remains deeply alarmed about the economy. Such arguments have had limited impact to date, since the ministry, rather than the bank, decides exchange rate policy. But Mr Sakakibara has opponents within the ministry as well. And last week's yen surge also deeply alarmed some politicians. Consequently, though the ministry still shows little desire to let the yen drop back to Y140 again, it appears to be determined to keep the yen below Y110 for the moment - not least because it can ill afford public criticism at present.

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However, he is also sensitive to US trade tensions, partly because of his close links with some US officials such as Larry Summers, US deputy Treasury secretary.

Obuchi set to appoint Liberals

By Michiko Nakamoto in Tokyo

Kelzo Obuchi, the Japanese prime minister, is set to reshuffle his cabinet today after the ruling Liberal Democratic party and the Liberal party resolved their differences at the last minute and paved the way for a coalition government.

The cabinet reshuffle comes after nearly two months of wrangling over the terms of the coalition agreed between Mr Obuchi and Ichiro Ozawa, leader of the Liberal party, nearly two months ago. One of the points at issue was how many members of the Liberal party would join the cabinet. But it was agreed last night that Takeshi Noda, Liberal party secretary general, would become home affairs minister.

Mr Obuchi welcomed the deal, which was struck immediately after his return to Tokyo from a week-long tour of Europe. "I am very pleased. By forming a coalition, we would like to fulfil the responsibilities given to both parties," he said.

Mr Ozawa, who broke from the LDP five years ago, was expected to decline Mr Obuchi's invitation to join the cabinet himself.

The two parties reached a compromise on most issues dividing them but left unresolved some of the more contentious points related to Japan's defence and role in UN peacekeeping forces.

In particular, agreement was not reached on whether or not Japan's Self-Defence Forces will be allowed to provide logistical support for US troops in emergencies in "areas surrounding Japan".

The coalition will make it easier for the LDP, which does not have a majority in the upper house of the Diet, to push legislation through. Businesses have welcomed the coalition government.

However, there was some concern about Mr Ozawa's preoccupation with defence and administrative reform. "In terms of economic policy, this is not necessarily good news," said John Nofsinger, political analyst at Natsui Marine Research Institute. In the past two months, the LDP and Liberal party struggled to overcome their policy differences, the political debate has been focused on defence issues and administrative reform rather than the economy, he said.

Delhi approves buy-backs to boost revenues

By Mark Nicholson in New Delhi

The Indian government has approved a series of share "buy-backs" and cross-share purchases by six large state-owned companies in the attempt to attain a targeted Rs50bn (Rs1.2bn) from "disinvestment" (privatisation) receipts before the fiscal year ends in March.

The cabinet, which is under increasing pressure to balance its books, last night approved the sale of up to 12.5 per cent of the current government holding in ONGC, the state oil producer, and up to 10 per cent in both IOC and GAIL, respectively state-owned refining and gas companies. The cabinet also approved sales of equity in Nalco, the aluminium producer, and up to 5 per cent of the state's holding in MTNL and VSNL, the two government telephone companies.

Government officials said the sales could either be through buy-backs of the companies' own shares - fresh rules for which were recently put forward by the government led by the Bharatiya Janata party - or direct purchases of the government's holding in each

group by another state-owned company.

The proposals for buy-backs come as the BJP-led government faces a tough fiscal squeeze with just over two months before the close of the financial year. Yashwant Sinha, finance minister, recently conceded that he was unlikely to meet his fiscal deficit target for this year of 5.6 per cent of GDP, partly because of poorer than expected indirect tax receipts.

In his June budget, Mr Sinha said he expected to raise Rs50bn through international and domestic equity offerings in four big state groups, including both VSNL and GAIL. However, with little international appetite for such sales and flat domestic markets most of last year, the government has to date earned just Rs2.25bn from a domestic offering by Concor, a state rail freight company. VSNL has just begun marketing a Global Depository Receipt offering to investors, while GAIL and IOC are also set to go to market with issues.

Finance ministry officials claim that the proposed state company buy-backs, which they say could be completed



Sinha faces fiscal squeeze

in time for Mr Sinha to take credit for the receipts by his February 27 budget, will "supplement" revenues from the four equity offerings, which are to proceed concurrently. One official claimed the government could even exceed its Rs50bn target and garner around Rs60bn.

But bankers and some other economic observers have already expressed scepticism about the government's determination to reach its disinvestment target through such intra-governmental purchases, which some have called simply a "bookkeeping" measure to meet the fiscal deficit target.

P. Chidambaram, former finance minister, dubbed such moves "mistaken" at a weekend business conference. "You cannot force a company to buy back [its] shares because the government needs funds," he said.

Philippines' budget gap exceeds forecasts

By Tony Tassell in Manila

The Philippine government has posted a much higher than expected budget deficit for 1998, breaching a ceiling agreed with the International Monetary Fund.

After a sharp increase in spending late last year by the Philippine government to stimulate a subdued economy, the budget deficit widened to 53.7bn pesos (Rs1.88bn) for 1998, overshooting the 49bn peso target agreed with the IMF.

The deficit was much higher than even forecast late last year when government officials indicated it was likely to come in at around 40bn pesos.

No official growth figures have been released for 1998 but the final deficit would have been equivalent to about 2 per cent of GDP assuming 0.2 per cent expansion in the economy, accord-

ing to Joey Cuyegkeng, economist with ING Barings.

Mr Cuyegkeng added the higher than expected deficit would create uncertainty about the fiscal discipline of the government.

Edgardo Espiritu, the finance secretary, said, however, the budget deficit overshoot beyond the IMF ceiling would not affect further disbursements of the institution's \$1.4bn standby credit facility to the Philippines.

He said that the deficit rose beyond the target because of an acceleration of accounts payable as the government carried out "pump priming" of the economy.

"We're not violating the programme," he said. Mr Espiritu also said the Philippine government had just signed a letter of intent on financial policies with the IMF although details of this were not yet available.

Earlier the Philippines and

the IMF agreed a 68.4bn peso budget deficit for 1999 to allow for further pump-priming an economy which has proved surprisingly resilient but not immune to the Asian economic crisis. This would be equivalent to 2.2 per cent of GDP assuming 2.5 per cent economic growth in 1999, according to Mr Cuyegkeng.

To fund part of the deficit, the Philippine government has embarked on international fund-raising exercises. Last week it raised \$1bn through a heavily oversubscribed issue of 10-year and 20-year bonds.

It is also planning to issue \$500m through the issue of euro-denominated bonds in early February and a further \$250m by selling off a 10 per cent stake in Manila Electricity in a convertible bond issue. But it has dropped plans for a further \$500m in dollar-denominated bonds.

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INTERNATIONAL

Senators restore calm in Clinton proceedings

By Mark Szeman

As the US Senate sits down later today to hear the opening arguments in President Bill Clinton's impeachment trial, only one thing is certain: they will begin on a very different note to the contentious, bad-tempered hearings held last month by the House of Representatives.

reflect most senators' firm belief that they are part of the world's greatest deliberative body. Robert Byrd, the West Virginia Democrat informally regarded as its elder statesman, likes to describe the Senate as "the anchor of the Republic, the morning and evening star in the American constitutional constellation".

Such sentiments are intended to reinforce the image of a grave and sober body of thoughtful men and women who are more reflective and less prone to popular pressures.

President vows not to be distracted by his trial

By Mark Szeman in Washington

President Bill Clinton yesterday vowed he would not be distracted from pressing policy issues by the start of his impeachment trial today, and expressed confidence that the Senate would deal fairly with the charges.

against allegations he obstructed justice and committed perjury in covering up his affair with the former White House worker.

week's State of the Union address, when he lays out his policy priorities for the year.

End in sight for 'cyber squatters'

By Richard Tomkins in New York

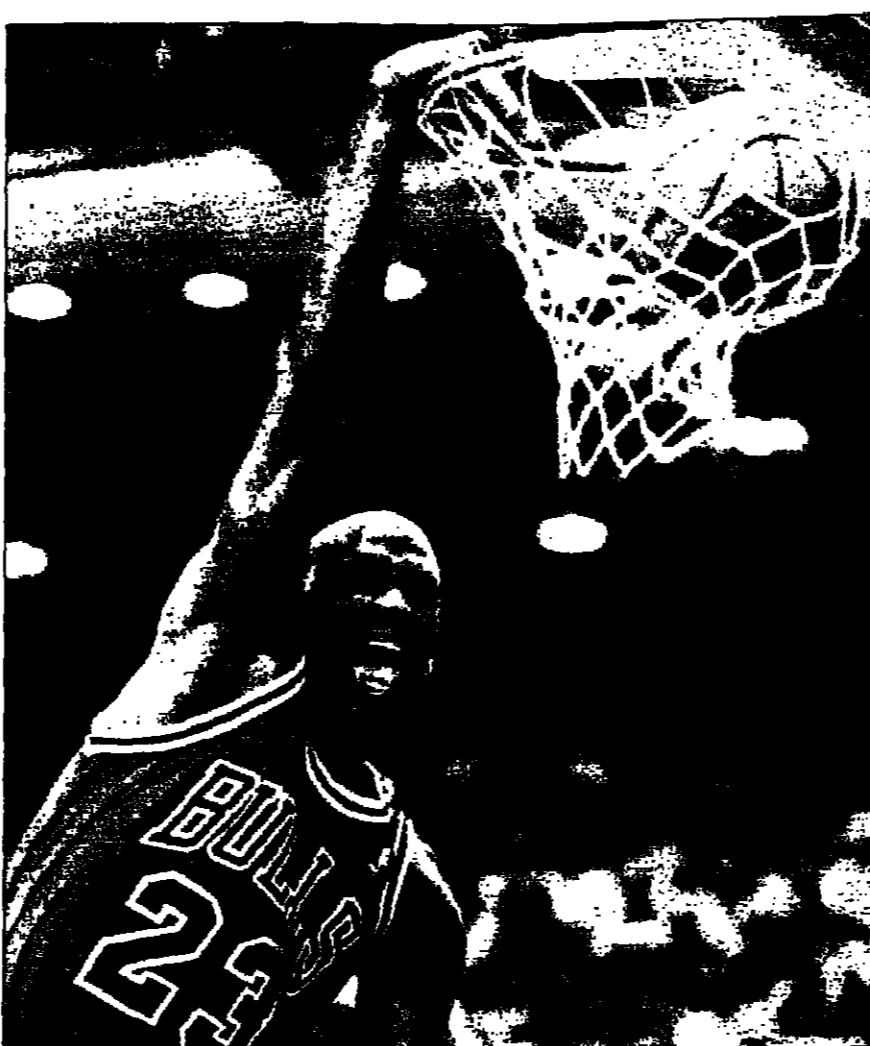
A new system aimed at ending "cyber squatting" on internet address sites could be in place by the middle of this year, an official of the World Intellectual Property Organisation (WIPO) indicated yesterday.

Lawsuits filed over garment 'sweatshops'

By Richard Tomkins in New York

Lawyers in the US yesterday filed a series of lawsuits against clothing manufacturers and retailers, seeking more than \$1bn in damages for alleged exploitation of workers in so-called sweatshops.

shad Hynes & Lerach, the New York class action specialist that recently negotiated a \$1.2bn payment by Swiss banks to settle claims brought by Holocaust victims and their families.



Big business: Michael Jordan's retirement from basketball has hit fans of the sports star but will also leave several companies which have used his pulling power counting their losses

Business braced to net a loss as Jordan quits

By Mikki Tait in Chicago

They were the words which basketball fans - and Chicagoans, in particular - dreaded. "We do this again," said Michael Jordan, to a 500-strong media audience at Chicago's United Centre yesterday.

could rise to \$10.5m, although much of this is simply diverted from other leisure activities.

in the Chinese market. Still, not all the news has been bad - and some businesses are even hopeful of a short-term boost from the current wave of publicity.

BA and JAL unveil plan to co-operate

By Michael Skapinker in London and Alexandra Harvey in Tokyo

British Airways and Japan Airlines yesterday unveiled a co-operation agreement, but the Japanese carrier said it had not decided whether to join BA's Oneworld alliance.

of Australia, Canadian Airlines, Cathay Pacific of Hong Kong and Finnair. "I think all the founder members would feel it would be very advantageous to Oneworld if JAL were to decide to become a member," Mr Ayling said.

Shinzo Suto, JAL's senior managing director for passenger marketing, said that the airline was still considering its options. He said that JAL now had alliances with all the Oneworld members except Finnair.

The carriers have steered clear of co-operating on the London-Tokyo route, which they both serve. Industry observers believe the airlines were concerned not to raise regulatory difficulties by extending their alliance to routes where they compete.

But he pointed out that JAL also had partnership agreements with several members of the rival Star Alliance, including Lufthansa of Germany, Thai Airways and Varig of Brazil.

Robert Ayling, BA's chief executive, said he expected to deepen the partnership with JAL in future years.

The speed with which BA moved to end its relations with ANA shocked the Japanese airline industry. ANA said that while it had been talking to BA about winding down the mileage programme, the announcement came as a surprise.

British Airways gives backing to Iberia chief

By Michael Skapinker in London and David White in Madrid

British Airways yesterday warned that its planned investment in Iberia would go ahead only if Xavier Irala, the Spanish carrier's chairman, remained in his post.

world, the international alliance led by BA and American.

However, the planned tie-up with Iberia has been delayed by worries about management control of the airline. Spanish aviation experts close to the negotiations yesterday confirmed there had been problems drafting terms covering the new partners' veto rights in Iberia.

Chile to argue on Pinochet

By John Mason, Law Courts Correspondent

The Chilean government will be allowed to argue its case before the House of Lords during next week's hearing over whether Augusto Pinochet, the former dictator, has immunity from prosecution for alleged crimes against humanity.

that both the Chilean government and Amnesty International, the human rights group, could address the hearing. Santiago will argue that General Pinochet cannot be extradited to Spain to face trial because only Chile has the legal jurisdiction to try him.

under charges of torture, hostage-taking and conspiracy to murder.

Chinese shipping rules frustrate US

By James Kyoge in Beijing

US frustration over "restrictive practices" imposed by China on foreign shipping lines threatens to complicate efforts to renew a bilateral maritime agreement in talks next month.

require public disclosure of shipping contract terms and individual freight rates on containers moving through all mainland ports.

apply to all shipping companies that wished to use them, and would have to receive approval from Chinese authorities.

ress toward renewing the US-China Maritime Agreement, which lapsed last September and then was extended for three months.

act more like a private company rather than receiving injections of state funds when it needs them.

IMF team suggests resuming lending to Zimbabwe

By Tony Hawkins in Harare

After months of negotiations and delays, an International Monetary Fund team is to recommend the disbursement of a further \$53m tranche of a \$178m standby loan to Zimbabwe.

Goddall Gondwe, head of the IMF's Africa division, claimed that the Fund was satisfied with Zimbabwe's explanations of how land acquisition would be handled, and how the country's military involvement in the Democratic Republic of Congo was being financed.

The IMF had been assured that Zimbabwe would abide by the compromise agreement on land resettlement reached last September with donors, since overtaken by the government's "relisting" of 841 farms for immediate acquisition. At New Year, Robert Mugabe, the president, publicly rejected the agreement, saying the 841 farms would be acquired soon, with the farmers being paid with IOUs. Mr Gondwe contradicted the president, saying the Fund had been

assured that this would not be the case.

ance of payments would strengthen, and the economy would grow at about 3 per cent.

until the year 2001. It briefly fell below 2% last Friday and after recovering on Monday was sharply lower again yesterday, with importers ignoring the IMF's promises.

Congo and reporting of the events involving the army, police this week arrested Tendayi Chevunduka, editor of an independent weekly newspaper, the Sunday Standard.

Handwritten text in Arabic script: ١٥٥٠ من الراجل

معلومات الال

WE LINK...
A and JAL
veil plan
co-operate

You've taken precautions. Your data's protected.
Absolutely. You sure?

British Airways
ves backing
Iberia chief

istrate US

Zimbabwe



Information Risk Management can identify possible risk to your company's operations, which is essential information. After all, hackers don't appear on security cameras.



It's time for clarity.

BRITAIN

Date set for shift of powers to N Ireland

By John Murray Brown in Dublin
March 10 is the target date for shifting lawmaking powers to the new Northern Ireland assembly...

outlined the timetable for setting up 10 executive departments and six bodies to implement policies in co-operation with the republic...

council which will link the region and the republic. Legislation is also being prepared to create the British-Irish Council...

due to report on the Decem-ber agreement on govern-ment structures. Martin McGuinness, chief negotiator for Sinn Féin...

target - not a deadline". Tony Blair, the UK prime minister, has made a pas-sionate defence of his devo-lution programme...

an old-style centralised UK with everything run out of Westminster and Whitehall because that won't work anymore and is not acceptable to people.

NEWS DIGEST

CITY OF LONDON

Law firms abandon their second attempt to merge

Merger plans between City law firms Richards Butler and Theodore Goddard, which would have created London's twelfth largest legal practice, have been abandoned...

GERMAN-BASED ENTERPRISE

Plan to sell 'green' electricity

WRE, a renewable energy company based in Frankfurt, Germany, plans to sell "green" electricity in England and Wales from April...

HORSE RACING BOARD

Request to control pool betting

The British Horse Racing Board, the sport's ruling body, has asked the government to hand over control of the Tote, which enjoys a monopoly of UK pool betting on horse racing...

OFFICE OF FAIR TRADING

Call for cheap bank accounts

The Office of Fair Trading yesterday called on the financial services industry to offer cheap and flexible bank accounts and insurance policies to low income households...

MOTORCYCLE INDUSTRY

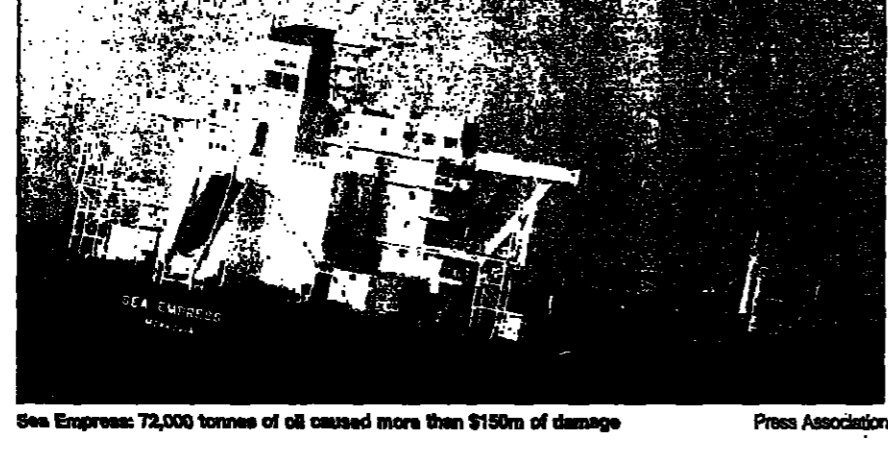
Sales at 13-year record

Sales of motorcycles and scooters rose by 30 per cent last year to 120,416, the highest annual figure for 13 years, the Motorcycle Industry Association reported yesterday...

OIL SPILL COURT HEARS PLEA FROM AUTHORITY THAT ACCEPTS RESPONSIBILITY FOR TANKER CATASTROPHE

Port admits causing pollution disaster

By Charles Batchelor, Transport Correspondent
A judge was urged yesterday not to impose a heavy fine on a port authority that earlier admitted responsibility for the grounding of the tanker Sea Empress off the coast of south Wales...



Sea Empress: 72,000 tonnes of oil caused more than \$150m of damage

The judge last night adjourned the case and will give his ruling on Friday. Mr Leveson said the position of the port authority could not be compared with that of a wealthy oil company...

The court proceedings came six months after publication of a critical report by the Marine Accident Investigation Branch...

Britons in Yemen likely to face terror charges

By Robin Allen in Dubai and Andrew Parker in London
Five Britons arrested in Yemen, and accused of having links to Muslim radical training camps in London, are expected to be charged shortly with terrorist offences...

The five, who together with an Algerian and two Yemenis were detained on December 23, have been accused of planning to blow up the British consulate in Aden, and a church and hotel...

"The police file on the five accuses them of being in possession of bombs and explosives, including two Chinese-made shoulder-fired rockets," said Badrah Salman Basmaid, lawyer for the five Britons...

Tax harmonisation warning from Germany

By David Wighton, Political Correspondent
Britain could be forced to accept tax harmonisation as the price of membership of the single currency, according to a senior member of Germany's ruling Social Democrat party...

Employment up to 8-year high
A sharp fall in unemployment has cast doubt on the belief that labour market pressures may be easing, Christopher Adams writes...

ICI offshoot to use euro as base currency

By Kevin Brown, Industry Editor
ICI Polyurethanes will this weekend become one of the first UK-owned companies to begin using the euro as its base currency...

taxes in euros this year. However, observers said ICI Polyurethanes appeared to be making the switch to full euro accounting very early...

Ingrid Matthaus-Maier, the SPD's former finance spokeswoman, told a private meeting of British MPs that Germany would expect the UK to pay a price for admission to a successful euro...

Diago, the drinks and food group, said yesterday that it would begin shifting its euro-zone subsidiaries to euro accounting after the end of its financial year, on June 30...

High-tech home system has entertainment at heart

A personal cinema is part of latest sound and light package, reports David Murphy
Picture the scene: you come home after a long day at the office, looking forward to unwinding in front of a film...



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the banks are already offering them," said Roger Miles of the British Bankers Association...

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Architect warns over threat of urban decline

By Brian Green in London
The government must change its whole approach if the decline of Britain's cities and towns is to be reversed over the next 30 years...

known as Richard Rogers, the British architect of buildings in many cities, notably the Centre Pompidou in Paris and the headquarters of the Lloyd's insurance market in London...

Protection of Rural England accused the government yesterday of undermining the taskforce by continuing to allow greenfield sites to be allocated for thousands of new houses...

SENSITIVE COLOURS
The Culture of the 1990s
The new Colour of the Year is...
The new Colour of the Year is...
The new Colour of the Year is...

السنة الأولى

CINEMA

Lives unravelled with insane logic

Roos's film has all the best lines, all the best situations and all the best performances, says Nigel Andrews

The Opposite of Sex has no right to be as good as it is, which is as good as a modern American comedy gets.

THE OPPOSITE OF SEX Don Roos

MEET JOE BLACK Martin Brest

DOBERMANN Jan Koumen

SOUR GRAPES Larry David

Mark Christopher

right places. As a runaway teenager from a southern trailer park, she has no illusions about life, love, sex or anything. She is like Barbara Stanwyck possessed by the body of a young, Louisiana Barbara Windsor.

a character come without a comic calling-card. This is an America in which changing mores - changing by the day or minute - open up chasms between generations.

Meet Joe Black was made for people who want to spend three hours looking at Brad Pitt. (Not necessarily a negligible cross-section of the universe.)



Minx grows up: Christina Ricci as the runaway teenager with no illusions about life in 'The Opposite of Sex'

boy, to life and love? Will Hopkins, a philanthropist-tycoon to gladden the heart of Dickens's Cheselys, defeat the merger?

to kill each other. Frenchman Jan Koumen, adapting a roman by Joel Housain, has adopted a favourite post-New Wave strategy: shoot first and let the audience ask questions.

counted on the fingers of one hand - I resist a comparison more appropriate both numerically and anatomically - and the acting by a cast of non-comics shows just how good Seinfeld and Co are at coaxing inspiration from inconsequence.

A sensitive conspiracy for young lovers

BALLET CLEMENT CRISP Romeo and Juliet Royal Festival Hall, London SE1

The Royal Festival Hall stage has little to recommend it for dance performance, for it spreads movement widely but allows little depth for it to seem properly shaped.

otherwise be lost from Covent Garden's proscenium - dancers have noted the gulf over the orchestra pit that blocks communication with their public - maintains all its life and interest at the Festival Hall.

ture - the curve and stairs of the permanent set - remains. The lesser matters have been imaginatively re-thought. I like very much the flambeaux outside the Capulet palace and the claustrophobic atmosphere of Juliet's tomb.

trait of a young girl whose innocence cannot mask her strength of character. (Like Plisetskaya's stormy, proud Juliet with the Bolshoi, we see how potentially Juliet is the motive force of the drama.)

vivid and handsome physical exposition of the role. And the character lives utterly for us. I do not think I have seen Jonathan Cope better as Romeo. His portrait is as detailed and loving as Guillem's, every least action felt, understood, shown, and his rapport with her is unerring.

that Romeo is a youth ready for flirtation, and his first encounter with Juliet is really no more than that. He becomes, rightly for this staging, the willing victim of Juliet's passion, and the entire emotional purpose of the ballet gains in resonance.

INTERNATIONAL Arts Guide

AMSTERDAM

EXHIBITION Rijksmuseum Tel: 31-20-673 2121 Adriaen de Vries (1566-1626): Imperial Sculptor. Major exhibition celebrating the work of the Dutch sculptor, who worked for Emperor Rudolf II among other European courts; to Mar 14

BARCELONA

EXHIBITION Fundació Joan Miró Tel: 34-93-329 1908 www.fundaciojmiró.es Magritte: exhibition celebrating the centenary of the artist's birth. Contains over 90 paintings and 50 photographs; to Feb 7

BONN

EXHIBITION Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-917 1200 www.kah-bonn.de High Renaissance in the Vatican:

CHICAGO

EXHIBITION Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Mefistofeles: by Boito. György Györfyváry Rath conducts a revival staged by Peter McCintock. Samuel Ramey sings the title role; Jan 16, 19

DUBLIN

THEATRE Abbey Theatre Tel: 353-1-878 7222 The Rivals: by Sheridan. New production directed by Brian Brady and designed by Conor Murphy, with lighting by Trevor Dawson; to Jan 23

EDINBURGH

EXHIBITION National Gallery of Scotland Tel: 44-131-624 8200 Turner Watercolours: shown every January for 90 years, this magnificent selection of 38 watercolours was bequeathed by Victorian collection Henry

FRANKFURT

EXHIBITION Schirn Kunsthalle Tel: 49-69-299 8820 Treasures from King Zhao Mo: King Zhao Mo's tomb, sealed in 122 BC, was accidentally discovered in 1983 by construction workers. This exhibition displays the many treasures buried there, the first time they have been seen in the west; to Jan 22

LILLE

EXHIBITION Palais des Beaux Arts Goya: un regard libre. Small-scale exhibition which explores the range and peculiarities of the painter's work. The 50 works on display include loans from around the world; to Mar 14

LISBON

EXHIBITION Fundação Arpad Szenes - Vieira da Silva Tel: 351-1-388 0044 Alberto Giacometti: the 19 sculptures and 20 drawings on display here are loaned by the Meaght Foundation, Saint-Paul, and include such famous pieces as Femme de Venise and Homme qui marche; to Jan 31

LOS ANGELES

EXHIBITION Los Angeles County Museum of Art Tel: 1-213-857 6000 www.lacma.org Van Gogh's Van Goghs: Masterpieces from the Van Gogh Museum, Amsterdam. Display of 70 paintings on loan during the period of the Dutch museum's renovation, transferring to LA from Washington. Ranging across the artist's career, the show includes masterpieces such

LONDON

CONCERTS Barbican Hall

MILAN

OPERA La Scala Tel: 39-02-88791 The Fiery Angel: by Prokofiev. Bruno Bartoletti conducts a staging by Giancarlo Cobelli, with Karen Huffstodt and Elмира Magomedova singing alternate performances as Renata; Jan 14

MUNICH

CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Munich Philharmonic Orchestra: conducted by Ivan Fischer in works by Stravinsky and Bartók, with violin soloist Ivan Fischer; Jan 14, 15 ● Philharmonia Orchestra London: conducted by Christoph Eschenbach in works by Mozart, Prokofiev and Brahms. With piano soloist Tzimon Barto; Jan 17

NEW YORK

EXHIBITIONS Brooklyn Museum of Art Tel: 1-718-638 5000 Royal Persian Paintings: the Qajar epoch 1785-1925. Display of life-sized portrait paintings, manuscript illumination and decorative arts which were the specialties of this previously overlooked period of Iranian art history; to Jan 24

PARIS

OPERA Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000 www.metopera.org Die Fledermaus: by J. Strauss. Revival conducted by Patrick Summers. Cast includes Carol Vaness; Jan 14

PARIS

CONCERT Bayerische Staatsoper

NEW YORK

EXHIBITIONS Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org Mary Cassatt: Drawings and Prints. Coinciding with a major retrospective at the Art Institute of Chicago, the Metropolitan Museum has organised an exhibition of most of its extensive collection of Cassatt's work; to Jan 24

MUNICH

CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Munich Philharmonic Orchestra: conducted by Ivan Fischer in works by Stravinsky and Bartók, with violin soloist Ivan Fischer; Jan 14, 15 ● Philharmonia Orchestra London: conducted by Christoph Eschenbach in works by Mozart, Prokofiev and Brahms. With piano soloist Tzimon Barto; Jan 17

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PARIS

CONCERT Bayerische Staatsoper

OPERA TEATRO SAN CARLO, NAPLES

'Eleonora' stirs up controversy

The inauguration of the opera season in Naples is always exciting, but this year the occasion was even more lively than usual, and the elegantly dressed members of the first-night audience were greeted by a large group of noisy demonstrators on the steps of the Galleria, opposite the theatre, while a larger group of police faced them from the arches of the facade.

Furthermore, the first notable event of the celebration was devoted to the controversial heroine: the opening production at the San Carlo was Eleonora, a dramatic oratorio devised by the Neapolitan musicologist, composer and director Roberto De Simone.

So it was no surprise to see today's political factions lining up outside the theatre to have their say, amid slogans and banners that were directed more against the present Communist mayor of Naples, Antonio Bassolino, than against the poor Marchesa Pimentel.

But the triumph did not belong solely to Vanessa Eleonora. For the musical part of his mosaic, De Simone - abetted by his gifted composition students from the Conservatory - deftly interwove pages from the 18th century Neapolitan composers (Durante, Leo, Cimarosa, Paisiello), with specially-composed music and an anonymous Neapolitan Republican anthem discovered in the Conservatory archives.

For the more demanding numbers De Simone provided professional singers, headed by the affecting mezzo soprano Bernadette Manca de Nissa. Except for one brief choral mishap, the young Stefan Anton Reck conducted the reduced orchestra and the double chorus securely.

The appropriate costumes of Zaira de Vincentis and the luring, lava-coloured set by Nicola Rubertelli added to the visual pleasure of the evening (which could have been profitably shortened by the omission of an over-obvious missed episode of some soldiers torturing a civilian and by the lightening of the repetitive Pulcinella-Executioner scene, which broke the taut pace of the performance).

William Weaver

Vertical text on the left margin containing various headlines and snippets from other parts of the newspaper, including 'Firms abandon their...', 'to sell 'green' electricity', 'RACING BOARD', 'to control pool betting', 'OF FAIR TRADING', 'for cheap bank accounts', 'RECYCLE INDUSTRY', 'at 13-year record', 'ainment at hear', 'urban decline'.

COMMENT & ANALYSIS

FT INTERVIEW TONY BLAIR

Undivided loyalties

Richard Lambert, Brian Groom and Andrew Parker quiz the British prime minister about his plans for devolving power

Ask Tony Blair if the United Kingdom will break up - either because of his devolutionary policies, or as a result of irresistible historical forces - and he voices incredulity. He believes he is the saviour of the Union, not its destroyer. "I am convinced you need a new relationship within the UK for the UK to survive," he says. "If you don't have that new partnership then that's what will start pulling apart the United Kingdom."

This is the year when devolution becomes a reality for one of Europe's most centralised states. Elections to the new Scottish parliament and Welsh assembly will take place on May 6. Responsibilities are due to be transferred to the Northern Ireland assembly in the spring. Regions of England will get development agencies from April 1, overseen by indirectly elected chambers. And next year London will have a directly elected mayor and assembly.

Many worry that all this will let the genie of separatism out of the bottle. The prime minister retorts that what would really pull the country apart would be to resist calls for change, particularly in Scotland, leaving people to choose between an unacceptable status quo and "crazy" separatism. In an interview, Mr Blair professes a deep personal commitment to constitutional change. "Devolution, decentralisation is central to my political philosophy. It's a central part of what New Labour is about."

"The driving force behind the idea of constitutional change is to strengthen the country and make it fit for the 21st century by modernising its institutions." That includes not only devolution of power to Scotland, Wales, Northern Ireland, and to a lesser extent to English regions, but also reform of the House of Lords, and a change in the relationship between the

individual and the state through a proposed Freedom of Information Bill and incorporation of the European Convention on Human Rights into UK law. "This is the second age of democracy," he says. The first stage was the vote, getting the basic, decent standard delivered and pensions, housing and all the rest of it, but people want choice today, and people want freedom to do things differently at local level, to have better and more innovative ways of deciding their own priorities.

Mr Blair's programme is sometimes seen as lacking coherence - a criticism he rejects. But in a forthcoming book, the Constitution Unit, a London-based think tank, argues that devolution is a process, not a settlement. Devolving some powers will lead to demands for more autonomy, creating a political and legal dynamic that the government will not be able to rein back.

Mr Blair is cautious about the consequences of devolution. "It has been a big bang in the sense that we are doing a huge amount of constitutional change, and this is where we want to be. I can't speak for the future, but we have no plans to go further than we have."

About one thing, however, he is clear: "I don't believe that Scotland wants to break off from the UK at all." Scots may tell opinion pollsters they think Scotland will be independent within 15 years, but that, the prime minister believes, is because they keep being told so by the media. "They know perfectly well that if Scotland left the UK the consequences in terms of jobs and business and influence for Scotland in the world would be disastrous. What they want is a partnership."

The Scottish Labour party, neck and neck with the pro-independence Scottish National party, has a fight on its hands in May's elections. Mr Blair claims the

SNP will not do as well as people think, partly because their programme is "economically disastrous".

"In their heart of hearts people in Scotland know that Scotland is stronger for being with England and England is stronger for being with Scotland."

Nor does he believe that devolution in Scotland will set off an ugly wave of English nationalism. "If there are English nationalists who say it's a good idea to separate, we take them on in the same way that we take on Scottish nationalists. But the idea that you can't change the relationship between England and Scotland for the 21st century, without unleashing unacceptable forces, is absurd."

Labour has deferred referendums on elected regional assemblies in England, if they happen at all, until a second parliamentary term. Mr Blair worries that English regional assemblies might do little other than duplicate existing government bureaucracy, although he says he is keeping an open mind.

"It really depends on what people want in England," he says. "I think it's possible over time that you carry on with the process of decentralisation, but it depends on going at the pace that people want. The bottom line has got to be: does it deliver a more efficient, more accountable government?"

The RDAs, he says, will be "powerful magnets for co-ordinating inward investment and developing industrial policy". Many believe the main demand to emerge in England will be to narrow the public spending gap with Scotland, Wales and Northern Ireland, where spending is proportionately higher. There is complex formula for working out how much is spent in different areas of the UK and some ministers believe the government will eventually agree to the first reassessment of this for 20



years. Mr Blair, however, says there are valid reasons for maintaining the system of allocating cash. "I don't think there's great resentment at it." If he is agnostic about regional assemblies, then Mr Blair is a true believer when it comes to elected mayors in the big cities. "In my judgment it would revitalise local government," he says. "The big cities have tremendous capability, they've got huge problems and they need a real political focus, and it can't all be done by central government in London."

"Millions of people live in the inner city. They often live with poor schooling, high crime, low quality transport and an environment that doesn't encourage people to stay and raise families. To regenerate it you need it focusing on an individual who has a clear initiative and is going out to get either elected or booted out."

City councils outside London have been cool on the idea, but Mr Blair leaves little doubt that he expects them to happen. "There is demand, certainly from the people," he says - and he rejects the idea that they would conflict with regional assemblies. They co-exist in other European countries. The Welsh assembly, with

LETTERS TO THE EDITOR

Holdings of building society nominee accounts missing out on windfalls

From Mr Douglas French. Sir, So the Birmingham Midshires does not think it is "unfair" that PIBs (permanent interest bearing shares) investors get a full windfall if their account is held directly, but only a tiny fraction if it is held in a nominee account to which only one windfall is allotted ("watch-dog" payments), January 12. Why has the Birmingham Midshires adopted this approach? Not, I suggest, on grounds of fairness or unfairness but for administrative convenience. It does not know, and has not tried to find out, who the underlying account holders are. This was the same posture adopted by other building societies when they converted, which denied proper entitlement to the sick and disabled whose accounts were in their carers' names. The Building Societies (Distributions) Act, which I took through Parliament in 1996-97, put that injustice right, requiring windfalls to be allocated to each qualifying, underlying beneficiary of an account, rather than on the basis of one per trustee.

Should not the same principle be applied to nominee PIB accounts? At the very least, converting societies should give underlying accounts the opportunity to provide information on their holdings, and thereby qualify for a full windfall. The Building Societies Commission would certainly enjoy devising a workable formula.

Douglas French, chairman 1996-97, All Party Building Societies Committee, 231 Kennington Lane, London SE11 5QU, UK

Nationality and questions of fairness

From Mr Jens Schneider. Sir, Even if Germany is still the only European country to base its nationality law on "whoever your parents were", this does not make the principle inherently unfair. Arguably, it is by living and schooling or working in the country that a person becomes part of the nation. Only if the law then still denied the person the right to assume the nationality could one talk of unfairness. Collecting signatures to deal with the issue of dual nationality is clearly wrong, as you rightly argue (Tevtonic Turk, January 12). But the way German nationality is defined is not inherently wrong. It is a rather complex issue, and limiting the discussion to the odd comment about nationality law dating back to 1913 (with subsequent amendments) creates an unfair bias.

Jens Schneider, 23 Albion Avenue, London N16 1AE, UK

Poland could be model for Russian recovery

From Mr Peter Allen. Sir, I wish to join former Poland finance minister Grzegorz Kolodko (Letters, December 8) in urging the Russian government to consider Poland as a model for a reduction of its London Club debt. The challenge facing Russia is how to begin rebuilding confidence. The first step is to establish an anchor for market debt valuation by opening a dialogue with the London Club for a permanent restructuring. This should incorporate market-based forgiveness. It was Russia - not the banks - that excluded forgiveness from the 1997 restructuring of ex-Soviet debt at a time when "Brady Plan" forgiveness of 85 per cent to 50 per cent was the norm. Thus far Russian authorities have proposed to cut 1999 London Club interest from US\$1.2bn to \$400m by skipping the obligation to pay 50 per cent of accruing interest on Principal Obligations (PRINs) in cash and instead meeting all PRIN

interest with Interest Arrears Notes (IANs). While this would help the 1999 cash flow, it is not a long-term solution. Markets will soon grow worried over the huge build-up of debt entailed in an indeterminate interest capitalisation. Russia has three basic options. The first is to restructure all Vnesheobligatsions. A Poland-style formula would cut future obligations by half and stretch them over 30 years. The second is to restructure PRINs only under Poland terms. This would produce nearly as much relief (80 per cent) as the first, and would leave "post-Soviet" IANs intact. The third is to eliminate the obligation to issue any more IANs for a portion of PRIN interest and to extend the years of "below-market" interest rates. A formal request would start Russia down the road to recovery.

Peter T. Allen, 526 NW First Avenue, Delray Beach, Florida 33444, USA

Number One Southwark Bridge, London SE1 9HL. We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171 873 5538 (ext 401), e-mail: letters.editor@ft.com. Published letters are also available on the FT website, http://www.ft.com. Translations may be available for letters written in the main international languages. Fax: 0171 873 5538. Letters should be typed and not hand written.

FT FINANCIAL TIMES Conferences NEW MEDIA AND BROADCASTING The 17th Annual FT World New Media and Broadcasting Conference 3 & 4 March 1999, London. The 17th Annual FT World New Media and Broadcasting Conference will discuss the continuing development of the digital market from both a European and US perspective, six months after the launch of the UK satellite and terrestrial digital platforms. Select heads of industry will discuss post-launch experiences; market opportunities for new entrants; the impact of competition on the existing networks; new technologies; regulation gatekeepers and convergence; finance; and interactive services amongst other topics. DISTINGUISHED SPEAKERS INCLUDE: Mr Ian West, Managing Director Sky Entertainment; Mr Tony Ulley, Chief Executive Telesat Communications plc; Mr Romain Bausch, Director General Chairman of the Management Committee Societe des Europeens des Satellites; Mr Miles Flint, President Sony Broadcast & Professional Europe; Mr Martin Baegemann, Member of the European Commission; Mr Peter Rogers, Chief Executive Independent Television Commission.

PERSONAL VIEW JAMES A. BAKER III Credibility ruined The trial of Bill Clinton has seriously weakened the US president's stature on the world stage and America's ability to direct foreign policy. These are sad times for America. Our political crisis has diminished the institution of the presidency and has adversely affected US foreign policy. With the impeachment trial of Bill Clinton - only the second president in history and the first since Andrew Johnson's in 1868 - that crisis is reaching a climax. Whatever one's view is of the charges against the president, the spectacle of an American chief executive on public trial is deeply depressing for those who believe, as I do, that US leadership remains vital in the international arena. Whatever the outcome of the trial, America's global leadership role will have suffered. In the unlikely event that Mr Clinton is convicted, and thereby removed from office, Al Gore, the vice-president, will be forced to pick up the pieces of a shattered presidency. But even in the likely event that Mr Clinton is acquitted, he will limp into his last two years of office as the lamest of lame ducks, his personal reputation ruined and his political authority and credibility all but gone. The crisis, now a year old, has already taken its toll on foreign policy. The idea that the scandal does not affect the conduct of foreign policy strains credulity. As a former White House chief of staff and secretary of state I have seen first-hand just how difficult it can sometimes be for America to lead globally, even in good times. To do so requires an undistracted White House and attention exclusively to that end. Mr Clinton is, by all accounts, a man of great energy, quick intelligence and remarkable ability to compartmentalise his life. But since last January when the scandal first broke, he has clearly been unable to produce the requisite American leadership in international affairs. Given the political, legal and now constitutional problems he faces, that is understandable. There are only so many hours in a day and there is



Clinton: the lamest of lame ducks for the next two years AP

depended upon the president's ability to forge a domestic consensus on its behalf. Only the president can do this. It cannot be delegated to a foreign policy team, no matter how talented. This has been true of presidents from Harry Truman to Mr Bush. And this consensus-building, in turn, rests upon the president's ability to generate confidence and inspire trust, not just among his own supporters but with political opponents and the public at large. The current crisis has clearly eroded both that confidence and that trust.

Disagreement is one thing; distrust another. The latter can be deadly to a truly bipartisan foreign policy. Whatever the motives behind the strike against Iraq (and I did not at the time and do not now question those motives), the very fact that they were so publicly and pointedly called into question suggests the extent to which Mr Clinton has lost that most precious of presidential assets: credibility.

The US and, indeed, the world can take some comfort in the fact that this scandal has occurred during a period of relative calm in international affairs. With the cold war over, the US confronts no major challenge to its national security or its unique position of global pre-eminence. But this is cold comfort indeed. For, if there is one lesson to be learned from the history of this century it is the imperative of US leadership from that position of pre-eminence. That imperative - in realms as disparate as free trade in the Americas, the Middle East peace process, or stability in north-east Asia - remains as strong as ever. And, as always, American leadership means presidential leadership. The current crisis - played out before an audience of literally billions around the world - can only have seriously diminished, if not destroyed, any chances for that leadership for the next two years.

The author was the 65th Secretary of State

FINANCIAL TIMES... Dealing with the inevitable... Misty vision... Malaysian mes...

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BUILDING HOMES OF INDIVIDUALITY FROM SCOTLAND TO THE SOUTH COAST

FINANCIAL TIMES

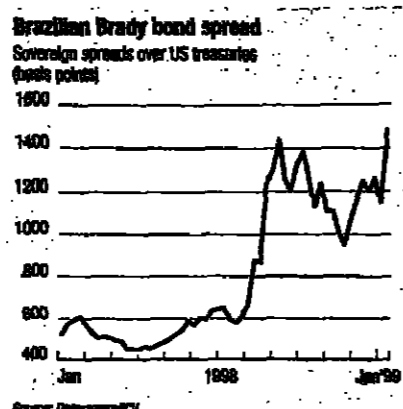
THURSDAY JANUARY 14 1999

ECCLESIASTICAL

THE LEX COLUMN

Real crisis

Wall Street's rebound after initial disappointment at Brazil's devaluation is truly a wonder to behold.



The real problem with yesterday's 8 per cent devaluation is that it falls between two stools. The drop is not big enough to turn around Brazil's \$30bn current account deficit.

Such thinking exposes the weaknesses of the International Monetary Fund's \$1.5bn rescue package.

The other policy instrument in the current framework is to try to bribe people to keep their money in Brazil with high interest rates.

With continuing support from the IMF and the US, Brazil may just muddle its way through. Otherwise, the range of policy options is unpalatable.

For the rest of the world, this is worrying. As Russia's crisis showed, financial contagion can work in unexpected ways.

So Lucent Technologies and Ascend Communications are getting spliced. The industrial logic is strong.

the supplier of choice for the world's telecommunications companies.

Even so, the \$18.9bn price tag, nearly nine times Ascend's estimated 1998 revenues, looks expensive.

Nevertheless, the deal will put more pressure on Europe's big telecoms equipment suppliers.

With continuing support from the IMF and the US, Brazil may just muddle its way through.

Such thinking exposes the weaknesses of the International Monetary Fund's \$1.5bn rescue package.

So Lucent Technologies and Ascend Communications are getting spliced. The industrial logic is strong.

Clearly, the balance sheet will need further tightening if this chemicals cash machine is serious about reducing its cost of capital rather than just providing a one-off boost to earnings per share.

After a slow start to the year, tortuous negotiations to restructure Europe's defence industry have resumed in earnest.

Does this mean a BAe/Marconi deal is imminent? GE's Lord Simpson is certainly holding BAe's toes to the fire with an ultimatum that it reach an agreement by the end of the week.

It hardly counts as a trickle, but now that BASF is the second German company to launch a share buy-back, the issue should be firmly on the corporate agenda.

EU parliament in crisis over threat to sack Commission

Talks continue as divisions open up in two main political groups

By Neil Buckley and Gerardo Puel in Strasbourg

Frantic efforts were under way at the European Parliament last night to head off a vote to sack the 20-member European Commission after Jacques Santer, its president, earlier threatened to resign.

Deep divisions over the fate of the Commission have opened up in the two main political groups of left and right, as negotiations continued to broker a compromise.

The parliament must vote today on a resolution which seeks to force the resignation of two individual commissioners for mismanagement of their departments, before deciding on a full motion of censure of the entire commission.

The confrontation between two of the EU's central institutions has turned into the biggest political crisis of recent years, only a fortnight after the launch of the European single currency.

Mr Santer made his threat to take personal responsibility, and resign before the vote, at a dinner with fellow Christian Democrats and conservatives on Tuesday night.

He rejected demands from German Christian Democrats that two commissioners - Manuel Marin of Spain, and Edith Cresson of France - be asked to resign.

German groups on both left and right of the parliament, making up the largest national contingent, were adamant last night that they would vote for censure, the chancellor, to persuade them not to.

But up to 100 members of the Christian Democrat group, mainly from southern member states of the EU, were said to be hesitating to call for individual resignations.

The 214-member Socialist group, the largest in the parliament, has said it will vote for censure if the demand for the resignation of Mr Marin and Mrs Cresson, both socialists, wins a majority. That could in turn ensure a simple majority for the censure motion, although it would still probably lack the two-thirds needed to be effective.

All resolutions before the parliament are highly critical of the Commission. The Socialists, while not naming individuals, have attacked the body's "belated recognition of the crisis facing it regarding the financial management of the Community budget, and its lack of transparency and accountability".

They called on the Commission to pursue its investigations into suspected cases of fraud in several departments, and insisted that if individual commissioners are found responsible of mismanagement, they should be hauled before the European Court of Justice.

Hopes for a possible compromise centre on a promise by Mr Santer to set up a committee of "wise men" to review all financial and personnel controls in the Commission.

Santer's misjudgement, Page 3 Editorial Comment, Page 13

France launches campaign to end oil embargo against Iraq

By Robert Graham in Paris, David Gardner in London and Michael Littlejohns in New York

France yesterday launched a diplomatic offensive to convince the United Nations Security Council to abandon the oil embargo against Iraq in favour of a more easily enforceable system of monitoring and sanctions.

The French initiative coincided with a shift in approach by Iraq, where a government official said: "Iraq sees a need for a balanced dialogue... to find practical solutions to the situation."

Kofi Annan, UN secretary-general, welcomed the French proposals as "a first step" in new efforts to resolve the crisis created by president Saddam Hussein's refusal to co-operate with Unscorn, the UN

inspectors mandated to destroy Iraq's weapons of mass destruction. US jets yesterday attacked missile defences in northern Iraq for the third day running, in the worst incident since last month's Operation Desert Fox, during which US and British forces in the Gulf carried out a four-day bombing blitz on Iraq.

It is understood that Iraq has not been sounded out in advance on the French ideas, which were met with caution yesterday by British officials but were broadly supported by Russia when Hubert Védrine, the French foreign minister, discussed them at length this week in Moscow.

French diplomats describe their proposals simply as a "contribution" to get round the deadlock caused by last month's bombing and Baghdad's defiance of Unscorn.

France hopes to persuade Washington - and to a lesser extent London - that the Unscorn mission can no longer operate in the wake of December's US-led attacks on strategic Iraqi targets. In so doing the

French insist they are not rewarding Mr Saddam. They say an essential part of any new approach is to frame a more effective system of monitoring that ensures Baghdad does not destabilise the region.

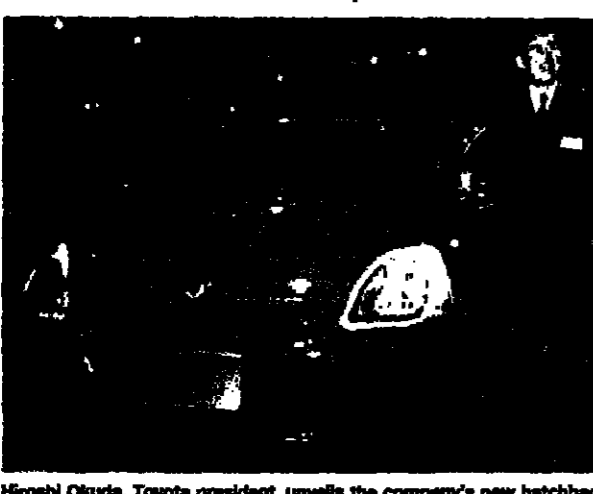
The first proposal is that the existing monitoring commission be "renewed". This is shorthand for riding the commission of any suggestion that it is purely doing US bidding or spying to aid the overthrow of Mr Saddam. Paris also believes the current methods of controlling the import of "dual use" equipment into Iraq should be reassessed and strengthened.

The second is to scrap the oil embargo in place since the 1990-91 Gulf war. French diplomats have long said the limited Iraqi oil sales were insufficient to satisfy the essential foodstuffs and medical needs of the population. They now argue the embargo is also counter-productive and encourages large-scale contraband, notably with Turkey but also with Syria, Iran and Dubai.

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FT.com FINANCIAL TIMES Directory of online services via FT Electronic Publishing



Hiroshi Okuda, Toyota president, unveils the company's new hatchback, to be called the Vitz in Japan, and the Yaris in Europe. Page 17

Markets 19-24, FT.com 25-30, Crossword Puzzle 24

FT WEATHER GUIDE

Europe today: North-western Europe, including Germany and Denmark, will stay unsettled and windy with squally showers. Eastern Europe and Scandinavia will be very cold with snow.

Table with columns for location, weather, and temperature. Includes cities like London, Paris, New York, and various international locations.



Time for a change of direction? Creative Capital for Management Buy-Outs. Many companies reach a point where the management team decide it would be better to follow their own vision, rather than their leader's.

Brother PRINTERS AND MACHINES advertisement with various product images and text.

Handwritten text in Arabic script: 150 من الاصل

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FINANCIAL TIMES

COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1999

THURSDAY JANUARY 14 1999

Week 2

THE LITCHFIELD GROUP OF COMPANIES NO to monetary union NO to VAT enlargements NO to European tax control NO to greater control by the Brussels bureaucrats

INSIDE

Daimler pushes on with conversion DaimlerChrysler's euro conversion team is certain that Daimler will soon be a D-Mark-free zone...

AirTouch bids may result in carve-up Vodafone's \$55bn bid for AirTouch, prompted by its interest in the US wireless carrier's investments in Europe...

Egypt privatisation programme stalls A year ago Egypt's private sector Olympic Group bought 67 per cent of Ideal, a public sector manufacturer...

Australia maintains trade with Iraq Australia has sold 600,000 tonnes of wheat to Iraq, its third largest wheat export market...

Crown Property Bureau keeps stakes The Crown Property Bureau, the investment arm of the Thai royal family, said it had enough retained earnings to maintain its stakes in Siam Commercial Bank and Siam Cement...

Mexican stocks suffer further falls The Mexican stock market has fallen every day since the beginning of the new year, with the main IPC index losing more than 20 per cent...

Russia risks default on eurobond The Russian government's finances threaten its ability to service its post-1992 eurobonds, according to Fitch IBCA...

Iron ore producers fight price cuts As global steel production contracts, Australian iron ore producers, embroiled in their second round of negotiations with the Japanese steel mills in Tokyo for 1999 contract iron ore prices...

COMPANIES IN THIS ISSUE

Table listing various companies and their page numbers, including APO Cement, Aerospace, Astra, AirTouch, Alcatel, Amertech, Asahi, Ascend, Avax, BASF, Banca Jovier, Bell Atlantic, Bertelsmann, British Aerospace, Caja Madrid, Cemex, Circle K, Credit Lyonnais, Dasa, Diageo, Dixons, Dow Chemical, Ericsson, Ford Motor, Fuji Heavy, GEC, Garuda, General Electric Co., Gruner + Jahr, Guardian Royal Exch., Gucci, ICI, Ideal, In En, KKR, Kingfisher, Kirin.

CROSSWORD, Page 24

MARKET STATISTICS

Table with market statistics including Annual reports club, Benchmark Govt bonds, Bond futures and options, Bond prices and yields, Commodities prices, Dividends announced, UK, EMS currency rates, Euro prices, Eurobond prices, Fixed interest indices, FTSE-A World Index, FTSE Gold mines index.

GEC SETS END OF WEEK DEADLINE TO BID FOR DEFENCE ELECTRONICS ARM AS OTHER COMPANIES SIGNAL INTEREST

Bae given ultimatum over Marconi

By Alexander Nicoll and Jo Johnson

General Electric Company of the UK has told British Aerospace it must come up with acceptable terms by the end of this week if it wants to buy GEC's Marconi defence electronics arm.

Germany's aerospace industry might appear to be swallowed by a bigger UK company.

The German government is taking a close interest in the fate of Dasa, and France is thought to see the Bae/GEC talks as an opportunity to renew discussions with Germany about deals involving Dasa - which, in turn, appears keen to show it has other options than a Bae deal.

executive, is meeting French companies, including Lagardere and Thomson-CSF, the defence electronics company.

GEC is seeking to force the pace with Bae partly because of its separate discussions on a merger between Marconi and Thomson-CSF are quite far advanced, although valuations and management issues still have to be agreed.

Yahoo! profits reassure internet investors

By Roger Taylor in San Francisco

Yahoo!, the internet search engine, has reassured its investors by reporting its first full year of profits.

The result, from a company that has become a figurehead for the internet sector, was especially reassuring for enthusiastic investors who have pushed up Yahoo!'s share price more than 10 times over the past 12 months.

Every time Yahoo! reports its results, the directors feel obliged to enter a note of caution - reminding everyone that current extraordinary growth rates are not sustainable.

However, Yahoo!'s last year demonstrated at least one thing - that the idea of an "internet portal" as a business proposition has come of age.

Theatre group founders indicted

Former Livent executives charged with conspiracy and securities fraud

By Edward Alden in Toronto

The co-founders of Livent, the bankrupt Canadian theatre production group, were indicted yesterday by a US federal grand jury on 16 felony counts of conspiracy and securities fraud.

Livent is credited with revitalising live theatre in North America in the 1980s, staging lavish productions such as Phantom of the Opera, Kiss of the Spider Woman and Ragtime.

Garth Drabinsky - Livent's former chairman and chief executive - and Myron Gottlieb, the former president, were charged with orchestrating a scheme to falsify the financial statements of Livent and to defraud buyers of Livent securities.

The two have denied any wrongdoing and are suing the new management of Livent, which took over from them in April.

Livent was granted bankruptcy protection in the US and Canada later in the year after the company's new management revealed the alleged accounting frauds.

The most serious of the charges against Mr Drabinsky and Mr Gottlieb each carries a penalty of up to 10 years in jail, a US\$1m fine or a fine double the gains realised from the fraud.

BASF plans 5% buy-back to boost shareholder value

By Uta Harnischfeger in Frankfurt

The German chemicals firm BASF is to buy back up to 5 per cent of its shares, signalling a commitment to increasing shareholder value in a move that may well be emulated by other German companies.

Yahool! makes money by allowing companies to advertise to its users. Jeff Mallett, president and chief operating officer, said Yahoo! had now established a "true media CPM business".

Of the remaining 75 per cent of revenues, an increasing amount comes from more complex agreements. Yahoo! offers contracts similar to direct marketing deals in which it targets particular groups of consumers and gets bonuses according to the number of customers delivered.

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Web sight: Chita Rivera in Livent's show Kiss of the Spider Woman

Arnault courts Gucci chiefs

By Alice Rowsthorn in London, Saverio Iskander in Paris and Paul Batts in Milan

Bernard Arnault, chairman of LVMH, the French luxury goods group, flew to Milan yesterday to court the management of Gucci, the Italian fashion company in which he has stealthily amassed an estimated 20 per cent stake.

LVMH had earlier issued a denial that it planned to bid for Gucci "in the present circumstances". On Tuesday, it held a \$386m for a 9.5 per cent holding owned by Gucci's arch-rival, Prada.

Gucci's shares, which reached €61 (€43.31) on Friday on bid hopes, fell by 4.8 per cent, to €57.8, to €55.1 in Amsterdam yesterday.

LVMH's shares, also buoyed by bid speculation last week, were down €13.4 to €193 in Paris.

LVMH executives said Mr Arnault did not intend to mount a hostile bid for Gucci, which rose from obscurity to become one of the hottest fashion labels of the 1990s under Tom Ford, chief designer, and Domenico De Sole, president.

At a Giorgio Armani fashion show in Milan yesterday, Mr Arnault described Mr Ford as "an extraordinary designer", and in yesterday's Le Monde, the French newspaper, he said Mr De Sole was "an excellent manager".

The LVMH chairman also told Le Monde that he hoped to forge an alliance between his own fashion interests, Prada and Gucci to exploit their "negotiating strength".

However, he may find it hard to smooth relations between Mr De Sole and Patrizio Bertelli, Prada's chairman. Mr De Sole was furious when Prada secretly purchased its 9.5 per cent stake this summer, and was equally angry when Mr Bertelli sold it to LVMH without telling him.

Advertisement for Electra Fleming, featuring a large image of a woman and text: "£120 million management buy-out led by Electra Fleming", "Safety-Kleen Europe", "Leading European environmental services company", "Electra Fleming Limited", "55 Kingsway London WC2B 6QT", "Regulated by IMRO".

COMPANIES & FINANCE: EUROPE

BANKING FRENCH INSTITUTION ACTS AFTER CRITICISM OF STRATEGY AND HEDGE FUND LOSSES

Paribas to revamp for expansion drive

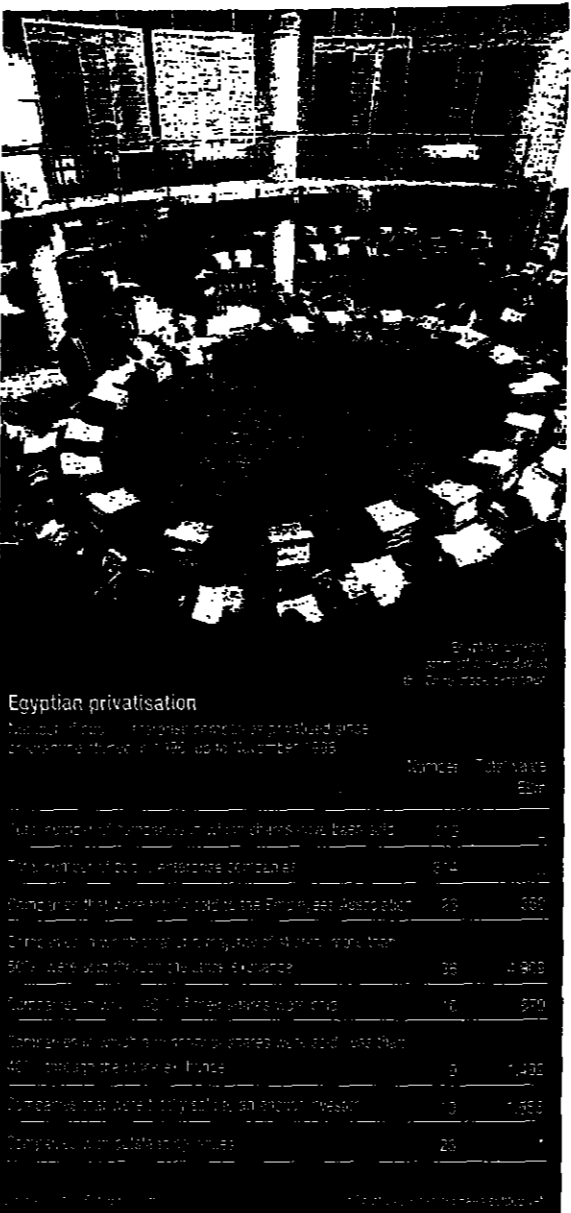
By Samer Iskandar in Paris
Paribas, the French bank, yesterday announced a sweeping re-organisation aimed at preparing it for international expansion.

international presence", it said.
The restructuring also comes weeks before the planned privatisation of Crédit Lyonnais, the bank that is being propped up with FF120bn-FF150bn (€18.3bn-€22.9bn, \$31.1bn-€38.4bn) of subsidies.

Political anxiety stalls Egyptian IPOs

Overpricing and job protection clauses are discouraging investors, writes Mark Hubbard
New faces have replaced those of the early gatekeepers who once snarled at visitors to the towering office of Egypt's leading washing machine manufacturer.

The government faces demands to accelerate privatisation before market conditions render the entire programme unsustainable.
Robust debates over timing and speed have brought key participants in the Egyptian financial sector to the point of apoplexy as the government debates the politics of reform with, according to financiers, little or no sensitivity to market priorities.



Egyptian privatisation

KKR to raise European buy-out fund

By Katherine Campbell, Grouping Business Correspondent
Competition in the European buy-out market intensified yesterday as Kohlberg, Kravis Roberts confirmed plans to raise a multibillion-dollar fund dedicated to the region.

NEWS DIGEST

TELECOMMUNICATIONS

Ericsson finance chief to take early retirement

Ericsson, the Swedish telecommunications group, yesterday said Carl Wilhelm Ros, its chief financial officer, had decided to take early retirement following its corporate restructuring and management overhaul announced last October.

TEMPORARY RECRUITMENT

Randstad profits up 29%

Randstad, the Netherlands' leading temporary employment agency, boosted net profits 29 per cent last year to F127.8m (€117m/\$157.7m), slightly trailing revenues which rose 31 per cent to F1.93bn.

BANKING

Lyonnais to sell Banca Jover

Credit Lyonnais, the French bank, is to sell Banca Jover, a banking network based in Catalonia and the Balearic Islands, to Caja de Madrid, Spain's second-largest savings bank in a transaction worth Pta1.7bn (€10.2bn, \$11.8bn).

PUBLISHING

German group mulls FT link

Gruener + Jahr, the German publishing company, said yesterday that it was negotiating a joint venture with the Financial Times that could lead to the launch of a new financial newspaper in Germany.

Alcatel upbeat on Ascend move

By David Owen in Paris
Shares in Alcatel, the French telecommunications equipment manufacturer which announced an alliance with Ascend, the US data networking company, in September, fell more than 5 per cent to €108.5 on a weak Paris market.

BAe in talks on Kongsberg link

By Valeria Skjold in Oslo
British Aerospace is in talks with Kongsberg over a strategic partnership that could lead to a joint venture with the Norwegian government-owned defence company.

Krauer to step down at Novartis

By William Hall in Zurich and David Pilling in London
Alex Krauer, 67, is stepping down early as chairman of Novartis, Switzerland's biggest pharmaceuticals company, in a move likely to increase speculation that he is preparing to take on the chairmanship of UBS, Europe's biggest bank, on a permanent basis.

UBS is digesting its merger with the smaller Swiss Bank Corporation and the resignation of Mr Caballavetta and three other senior executives dented confidence in Switzerland's flagship bank.
Mr Krauer has been in charge of finding a replacement for Mr Caballavetta, who lasted fewer than three months as chairman. Mr Krauer has been under pressure to stay on as chairman to help lead down the UBS-SBC merger.



Man of destiny: Mr Krauer is expected to take control at UBS

Standard Chartered
Standard Chartered PLC
(incorporated with limited liability in England)
US \$300,000,000
Undated Primary Capital Floating Rate Notes (Series 4)

Standard Chartered
Standard Chartered PLC
(incorporated with limited liability in England)
US \$400,000,000
Undated Primary Capital Floating Rate Notes

Notice of Adjustment to Conversion Prices
Orion Electric Co., Ltd.
U.S. \$30,500,000 0.5% Convertible Bonds due 2009

KW International Finance Inc.
USD 25 Mil Multifamily Debt Issuance Program
GBP 1 Mil. FRN due July 08, 2001
German Security Code 175 947

Handwritten Arabic text: ١٥٥٠ من الراجل

مركز الامارات

R to raise European 7-out fund

European Commission
The European Commission has announced that it will raise a new fund of 7 billion euros to support research and development in the EU. The fund will be managed by the Commission and will be available to researchers and businesses across the EU. The fund will be used to support a wide range of research and development activities, including basic research, applied research and innovation. The fund will be available to researchers and businesses across the EU. The fund will be used to support a wide range of research and development activities, including basic research, applied research and innovation.

NEWS IN BRIEF

COMMUNICATIONS

son finance chief ke early retirement

The son of a former finance chief has announced his intention to retire early. The son, who has worked for his father's company for many years, has decided to leave the company to pursue other interests. His father, who is a well-known figure in the finance industry, has expressed his support for his son's decision. The son's departure is expected to have a significant impact on the company's operations.

MARKET REVENUE

stad profits up 29%

The profits of a major telecommunications company have increased by 29% over the last year. This increase is attributed to a combination of factors, including a rise in demand for services and improved operational efficiency. The company's revenue has also grown significantly, reflecting its strong market position. The increase in profits is a testament to the company's commitment to innovation and customer service.

FINANCIAL

plans to sell Banca Jover

A financial institution has announced its plans to sell Banca Jover. The institution, which has been operating in the market for many years, has decided to divest itself of Banca Jover. The sale is expected to be completed in the near future. The institution's decision to sell Banca Jover is part of a broader strategy to streamline its operations and focus on its core business.

TELECOM

an group mulls FT link

A telecommunications group is considering a link with FT. The group, which has been active in the market for many years, is exploring the possibility of a strategic partnership with FT. The link is expected to be completed in the near future. The group's decision to link with FT is part of a broader strategy to expand its market reach and improve its services.



We already believe in a fully integrated Europe.

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land to offer homes and businesses all three services via just a single cable. Our capacity for Internet access is up to one hundred times faster than conventional modems. And coming soon are 100's more TV

channels plus other services including banking on demand, two-way video calling, Near Video On Demand and interactive shopping. Through the competitive advantage of 40,000+ kilometers of cable

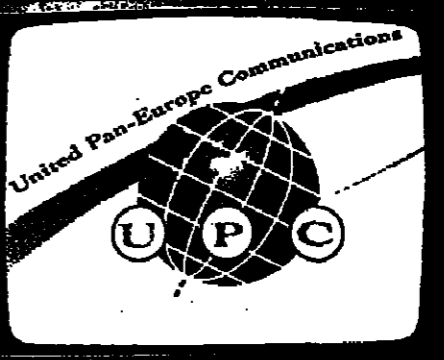
digital distribution and fiber optic transmission technologies, locally customized, competitively priced. The company is UPC. You'll probably find that you'll get on very well with us.



VOICE

VIDEO

DATA



COMPANIES & FINANCE: THE AMERICAS

COMMUNICATIONS NETWORKING REVAMP TO AFFECT 10% OF CANADIAN GROUP'S WORKFORCE

Streamlining to save Nortel \$300m

By Scott Morrison in Toronto
Nortel Networks, the Canadian communications networking company, said yesterday it expected to save up to US\$300m annually by streamlining operational procedures over the next three years...

would adopt a "systems house" operating model common among computer manufacturers and data networking groups. The company would be the first of the old generation of telecoms groups to adopt the model...

"Change is hard, but it is absolutely necessary," said Mark Lucey, an analyst at Kearns Capital. "Doing things the way they are currently doing them is not an option..."

enabling it to expand its presence in the data networking market. John Roth, chief executive, would not provide details but said all Nortel's manufacturing operations were under review...

newest round of restructuring. The impact on personnel would be minimised by divestments, retraining and natural wastage. Nortel said the expected US\$250m-US\$300m annual savings would not affect 1999 financial projections...

Cemex expansion turns to Brazil

By Henry Tricks in Mexico City
Cemex, the Mexican cement multinational, said yesterday it was eyeing assets in the devaluation-stricken Brazilian market. The move follows the launch of controversial expansion plans in south-east Asia on Monday...

Ford planners see Volvo as logical buy

By Naig Smeethan, Motor Industry Correspondent
Senior planners from Ford Motor touring Europe are believed to be backing the possible acquisition of Volvo's car division to complement the group's existing brand portfolio...

Ford has been seen as one of the most likely buyers if the industry consolidates. Volvo, which last week admitted it had appointed J.P. Morgan to advise on strategic options, is seen as vulnerable because of its relatively small size in cars.

Bid for AirTouch could give Vodafone digestion problems

The US group's European assets are an attraction, but its domestic network could prove difficult to absorb, reports Richard Waters

The bidding war that has broken out over AirTouch, the US wireless carrier, closely echoes the 1996 battle for MCI Communications in a number of ways. But none may be more telling than this: like British Telecommunications' bid for MCI, it amounts to an attempt by a foreign carrier to take a big stake in the fast-consolidating US telecoms industry...

US operation that still accounts for more than half of AirTouch's revenues and earnings before interest, taxes, depreciation and amortisation (ebitda). Vodafone, however, says it has every intention of keeping AirTouch's US business. Contrary to its earlier stance, it now believes the growth rate and pace of consolidation in the US make this an attractive market for investment, the company adds...

Others are struggling to catch up - including Bell Atlantic, whose own East Coast presence would be turned into a national footprint with the acquisition of AirTouch's West Coast and Mid-western networks. A second big change in the US telecoms industry has been the dawning awareness that mobile telephony could provide one of the answers to the industry's greatest problems: how to circumvent the wires that are still largely owned by the Baby Bells - into American homes, and which act as bottlenecks preventing rivals breaking into the local market...



Tough decisions: Chris Gent, Vodafone chief executive

Any attempt by Vodafone to sell AirTouch's US network would attract a big tax hit, according to investment bankers in New York

solidation in the US make this an attractive market for investment, the company adds. However, such a move would leave Vodafone with some difficult strategic decisions to make. The US wireless market is changing fast. For a start, the race to establish networks with national coverage has accelerated in the past few months...

Wireless prices have fallen fast with the big increases in volumes seen recently bringing closer the day when mobile services become an economic rival to traditional fixed lines. All of this makes AirTouch's US operations far more immediate use to Bell Atlantic than to Vodafone.

they would have to make a round of further purchases," says Robert Egan, a consultant at Gartner Group. However, this option has already been ruled out by some Vodafone officials. Europe remains its main focus of expansion. Also, such an acquisition hinge would be difficult to mount, given the scarcity of large, independent regional carriers to buy.

the company could simply opt to continue AirTouch's existing relationship with Bell Atlantic - including their joint venture digital carrier, PrimeCo, which owns licences in markets that neither reach. However, the rapid change under way in the US market, and Bell Atlantic's all-too-obvious anxiety to control a national network, may make that an unstable mix.

The answer to that question could yet lead to an accommodation between Vodafone and Bell Atlantic, which has also bid for AirTouch, and could result in some sort of carve-up of AirTouch's assets, according to analysts and consultants.

The UK company's \$55bn bid was prompted mainly by its interest in AirTouch's spread of investments in Europe. These are widely thought to account for more than half of AirTouch's stock market value, and a Vodafone official loosely has described the European assets as accounting for "75 per cent" of the reason for the group's bid for AirTouch.

Yesterday, AirTouch lifted its stake in Omnitel-Prouto Italia, the Italian wireless operator, from 15.5 per cent to 17.8 per cent, with a further option to raise that to 21.7 per cent by the third quarter of 1999.

But a successful bid would also leave Vodafone with a

One network Wall Street sees as potentially up for sale is that of Ameritech, the Midwestern Bell being bought by SBC: its wireless network, based on CDMA technology, could not be stitched together with SBC's own TDMA network. However, Bell Atlantic itself is likely to be one potential buyer, and Vodafone may find such a deal a stretch so soon after any deal with AirTouch. According to Vodafone,

Given the difficult strategic choices that a takeover of AirTouch would create, such a move by Vodafone cannot be ruled out.

Aetna in Polish pensions venture

By John Authers in New York
Aetna, the US financial services group, is launching a joint venture to sell pensions in Poland, in an aggressive expansion of its strategy of taking advantage of social security reform in emerging economies.

pension market. The new venture is timed to benefit from the privatisation of Poland's pension-management sector, expected in April this year. Under the plan, Aetna would hold a 40 per cent stake in the joint venture company and PPK 60 per cent.

Aetna will work with Poszechny Bank Kredytowy (PBK) of Warsaw, using a team of managers from AFP Santa Maria, Aetna's Chilean pension affiliate. Chile privatised its pension system several years ago, in a move widely regarded as providing a model for other developing countries. The Chilean market has become highly lucrative for US providers and Aetna's subsidiary has 1m pension fund participants and about \$3.9bn in assets - roughly 15 per cent of the Chilean

It also continues Aetna's strategy of concentrating its business outside the US, solely in emerging markets, despite the growing difficulties of Latin America and Asia in the last eighteen months. The company has sold its businesses in western Europe, and now has large businesses in Mexico, Peru and Brazil.

The People's Construction Bank of China
US\$70,000,000 Tranche A Floating Rate Notes due 2000
For the interest period from 14 January 1999 to 14 July 1999 the Notes will bear interest at 5.7785% per annum.

CONTRACTS & TENDERS
ESTONIAN PRIVATIZATION AGENCY
announces a two-stage tender with preliminary negotiations for selling 1,000,000 STATE-OWNED SHARES (with a nominal value of 100 Estonian kroons each) OF A LIMITED COMPANY AS EDELARAUTTEE (a company offering railway services)
1 DEM - 8 EEK
Location: Kaare tee 25, Türi, Järvamaa, Estonia.
Primary areas of activity: offering railway transport service; organizing railway maintenance and protection.
Share capital: EEK 100,000,000.
Balance sheet value of assets (as of December 31, 1997): EEK 227,565,458, including fixed assets EEK 205,114,563.
Net sales in 1997: EEK 65,066,494, loss EEK 4,285,904.
Number of employees as of October 1, 1998: 885.

FT Credit Ratings publications
Default Risk Affects YOU
In today's financial markets your firm's prospects depend more than ever before on the objective assessment of credit risk. Whether your exposure is as investor, lender, counterparty or depositor you need instant access to comprehensive, easy-to-use and authoritative information on default risk.
FT Credit Ratings International and FT Credit Ratings in Emerging Markets have been designed to meet this need by bringing together the ratings of the world's leading ratings agencies.

Dow Chemical plans cost-cuts

Dow Chemical, of the US, is planning a \$700m cost reduction programme over the next two years, Dennis Lauzon, president and chief executive of Dow Chemical Canada said yesterday. Mr Lauzon told the UK Chemical Industry Association's annual Business Outlook conference that Dow Chemical planned to restructure its business portfolio and invest more heavily in areas such as base chemicals and plastics.

mean "changing our culture to one in which people have true owner-investor mentality... we have already created a business-focused organisation through 14 global businesses and are already experiencing greater accountability with far fewer layers of management." Mr Lauzon said Dow Chemical hoped the measures would help give a return on capital exceeding the cost of capital by 3 per cent over the next few years. The group also sought a return on equity of 30 per cent and hoped to lift earnings per share by an average of 10 per cent annually.

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CONFIRMATION OF REDUCTION OF SHARE CAPITAL
ON 8 JANUARY 1999 LORD ABERNETHY PRONOUNCED THE FOLLOWING INTERLOCUTOR:
The Lord Ordinary approves the Petition to be intimated on the Walls in conformance with and to be advertised in the Edinburgh Gazette. The Decree and the Financial Times within 21 days after such intimation and advertisement.

Toyota unveils
Manila to sell st...
Circle K, Sunkus A...
any deal is done n...
Global TeleSystems
to sub-sea cable s...

السؤال من الامتحان

EURO PRICES

EQUITIES

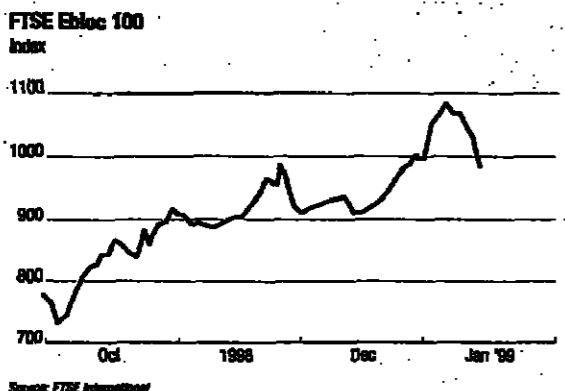
Brazil crisis gives frantic Europe a jolt

EUROPEAN OVERVIEW

By Vincent Boland
European stock markets fell to earth with a jolt yesterday as developments in Brazil...

The banking sector tumbled 5.5 per cent, with BBV €1.80 lower at €11.69 and Santander slumping €2 to €14.28...

in the region. Volkswagen, preparing to open a new plant in Brazil, was €3.60 lower at €70 and BMW fell €31 to €651...



FTSE Actuaries Share Indices table with columns for Index, Day's change, % change, Yield, and Total return.

THREE MONTH EURO FUTURES (EUF) table with columns for Month, Open, Sell price, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO OPTIONS (EUF) table with columns for Strike, Call, Put, Open, Sell price, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO INDEX FUTURES (EUIF) table with columns for Month, Open, Sell price, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO INDEX OPTIONS (EUIO) table with columns for Strike, Call, Put, Open, Sell price, Change, High, Low, Est. vol, Open Int.

OTHER INDICES table with columns for Index, Jan 13, Jan 12, Jan 11, High, Low, % change completion, Low.

FTSE EURO TOP 300

Large table listing FTSE EURO TOP 300 companies with columns for Name, Price, Change, % Change, Vol, and % of Index.

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Table showing Euro Spot Forward Against the Euro for various countries and currencies, including GBP, CHF, JPY, etc.

Food and drink stocks, which are big exporters to the region, were also hit. Diageo was 50 cents lower at €9.34...

BONDS

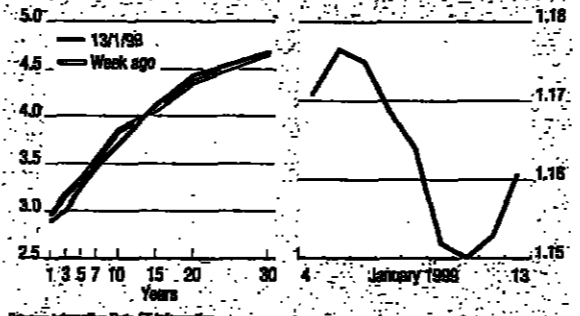
INTEREST RATE SWAPS

Table showing Interest Rate Swaps for various maturities and currencies.

EURO-ZONE BONDS

Table showing Euro-Zone Bonds for various countries and maturities.

EURO ZONE YIELD CURVE



EURO AGAINST THE DOLLAR



Large advertisement for Liffe featuring the text 'It's your LIFE. It's your Euribor.' and 'Liffe has over 90% of all Euro money market business. We're in.'

Large advertisement for DaimlerChrysler featuring the text 'A big shift to the mega-cap' and 'DaimlerChrysler'.

Handwritten note at the bottom of the page: '150 من الراجحي'

CORPORATE ACCOUNTING

Daimler speeds ahead with conversion

Uta Harnischfeger on one of the first companies to switch its operations to the euro

The man who spearheads DaimlerChrysler's euro conversion team firmly rejects any advance praise. "It's going to take another six weeks until we can declare a full-blown victory," says Wolfgang Hartung, who has spent the last 30 months converting corporate accounts into euros.

But he is certain that the day Daimler can declare itself a D-Mark-free zone is just around the corner. In fact, Daimler would have been ready on January 1, had it not been for a European Union regulation that stipulates a company can only report full-year results in euros once all transactions in that reporting period occurred in euros.

As a result, although euros became Daimler's corporate currency on January 1, the full-fledged conversion is still some weeks away. One still some weeks away. Once the company gets its D-Mark-denominated 1998 bookkeeping out of the way - 1998 earnings data should be ready internally by the beginning of February - Mr Hartung's team will make its final push.

Then, the 2,500 men and women will convert all transactions and bookkeeping items that have occurred so far in 1999 into euros, retroactive to January 1.

Reporting periods that differ from the calendar year are tying the hands of some companies eager to convert early. For example, the fiscal

year of the German electronics group Siemens ends on September 31. Because Siemens must account for this fiscal year in D-Marks, it cannot fully convert into euros before that date. The newly merged industrial group Thyssen-Krupp is in a similar position.

DaimlerChrysler is one of six companies in Germany's blue chip Dax 30 index that have adopted the euro at the earliest date possible. Besides Germany's three largest banks, only the telecommunications and machinery maker Mannesmann and the pharmaceuticals firm Hoechst kept pace with Daimler's ambitions.

The timing of Daimler's decision made it a trendsetter among its German peers: the board approved Mr Hartung's euro proposals as early as October 1997, when German public sentiment against the euro had reached a climax.

Growing fears that other EU states might not tighten their budgets enough to give the euro a strong start were paired with proceedings in Germany's Constitutional Court against the



Switching promptly to euros means the DaimlerChrysler chairman Robert Eaton (left) and Jürgen Schrampp can now concentrate fully on linking their operations

single currency project.

"Given the public mood back then, the board's decision was a bold venture," recalls Mr Hartung. A year earlier, in October 1996, he had given up his job as chief financial officer of Mercedes-Benz of North America and

outlined a strategy to convince the board that it was necessary to convert as early as possible.

For Mr Hartung, the smooth transition to the euro so far this year has proved him right. "If you look at the sheer size of this

vast undertaking, everyone should be proud," he says.

By 7pm on December 31, after months of tests and simulations, 100,000 Daimler computers had been fed with the euro conversion rates. "All that remained to be done was to hit a button and

load down the conversion programme," says Mr Hartung.

Daimler's price list, containing 40,000 individual parts, was ready in euros by the next morning. All in all, Daimler had to convert 800 operative systems and 3,000 databases into euros.

As of today, 95 per cent of Daimler's euro-zone suppliers provide prices in euros, and the remainder are expected to follow suit soon. If it were not for the fact that price lists are still being printed, by now Daimler dealerships would offer all prices in both euros and national currencies.

But Mr Hartung does not want to take credit for that. "That's become common among all our competitors because everyone has to list in both currencies," he says.

Almost every car dealer quotes prices in both currencies, eliminating one of the few disadvantages of Daimler's early conversion.

Because price tags in euros will display to consumers the huge price differences within the euro-zone, the pressure to streamline prices

will affect all car makers.

On the positive side, Daimler has valued the advantages of its early conversion strategy at an annual €50m. The earlier a company converts, the earlier it can reap the benefits from handling fewer currencies. According to the car maker, euros will cut Daimler's currency exposure by roughly 30 per cent, thus partly eliminating the need to hedge against currency fluctuations.

It will also save costs by reducing the number of accounts and by simplifying bookkeeping. This does not only apply to Daimler's operations in Germany. Its operations in the euro-zone, whether it be subsidiaries or factories, are only marginally behind with the transformation, says Mr Hartung.

When and if Britain decides to join the euro, it should be a matter of no time "to use our expertise" and convert dealings from sterling into euros.

Perhaps surprisingly, Daimler's partner, Chrysler, has remained largely unaffected by all the changes. "They live in a dollar

world," says Mr Hartung. Since Daimler follows the principle of centralised treasury operations, bills are denominated in the currencies of the respective countries. Transactions with the US are therefore conducted exclusively in dollars.

The merger with Chrysler may not have been an issue when the Daimler board decided on early conversion. But the advantage of switching promptly to euros lies in the fact that the two halves of the new company can now concentrate on linking their operations, Mr Hartung says.

Originally budgeted at DMS50m or €100m, the cost of the euro conversion project is likely to remain below that, he thinks. Though Mr Hartung has every reason to be proud of himself, there are some issues where his hands are tied.

Since Germany's government and relevant ministries will convert into euros at the latest possible date and Germans must continue to pay their taxes and social security payments in D-Marks until 2001, Daimler has no choice but to pay its salaries in D-Marks.

Moreover, Mr Hartung still cannot buy his lunch in euros. Since the cafeteria's debiting system involves cash, it cannot be converted yet. "I still carry marks in my pockets," he says with a sigh. "But I converted my bank accounts the first day possible."

INVESTMENT STRATEGY

A big shift to the 'mega-caps'

It pays to think big in the brave new world of euro-zone investing.

Since the single currency was launched two weeks ago stock markets in the 11 participating countries have risen strongly, driven by a small number of the continent's largest companies.

The outperformance of these "mega-caps" echoes a trend which has seen large companies outperform their smaller brethren in most of the world's developed markets. But there is evidence that the upheaval caused by the launch of the euro is playing a significant part in the phenomenon.

If the trend continues, the consequences for European investment and the fund management industry are expected to be far-reaching.

Evidence of big company outperformance comes from a variety of different measures. The Dow Jones Euro Stoxx index of the continent's 50 largest companies outperformed the broader Euro Stoxx index of 300 companies by 1.4 percentage points in the year's first seven trading days.

The real hares at this early stage in the race, however, are the 27 or 28 companies in all euro-zone indices compiled by the three main index providers. Merrill Lynch, the US investment bank, identified 28 companies which form part of the 33 indices designed by FTSE International, Dow Jones and Morgan Stanley Capital International. This "euro-core" outperformed broader European indices by almost 2 percentage points last week. The outperformance weakened a little in the first two days of this week, but still continued at more than 1 percentage point.

Research by ABN Amro, the Dutch-owned investment bank, found that 27 stocks in all indices attracted 42 per cent of all euro-zone stock market turnover in the first week. Such statistics have been seized on by analysts attempting to spot signs of the massive portfolio rebalancing expected as a result of the euro. They have forecast a multi-billion dollar movement of funds around the continent as investors seek to diversify their holdings. Broadly, investors in the euro-zone can now invest across 10 formerly foreign markets without the risk of currency fluctuations.

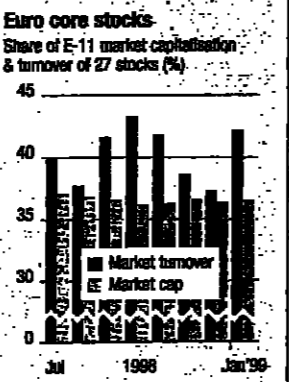
But why have Europe's largest companies attracted the lion's share of new money? One view is that European investors will behave as "innocents abroad" when they first look outside their domestic markets and are more likely to be comfortable with well-known, liquid and well-researched companies.

Jeffrey Hochman, portfolio strategist at Fidelity, the world's largest fund manager, says: "If you've taken a decision to invest outside, you're not going to look for a micro chip telecoms start-up in Finland when you could invest in Nokia as a proxy for the whole Finnish market."

Other more euro-specific factors lie behind the apparent fashion for large companies. One is the battle of the benchmarks. Before one emerges as the main European index for performance measurement, fund managers could decide to hedge their bets by choosing large companies which are included in all indices.

Another factor is the relatively underdeveloped market for small- and medium-sized companies in the euro-zone. Peter Knapton, head of securities at Legal & General, Europe's second-largest index-tracking manager, says: "Europe has always been a big cap market anyway because of the lack of smaller listed companies."

But European large com-



pany outperformance is also seen as part of a global trend.

Mr Knapton says: "In whatever market you look at around the world, growth has been driven by a small number of companies."

This outperformance has led to historically high differentials between large and small company share prices. In the UK the FTSE 100 is trading on a forward multiple of 22 times this year's earnings, compared with a multiple of 12 for the small-cap index, according to L&G.

One important factor in the US market may be the behaviour of relatively new retail investors, putting money into household names.

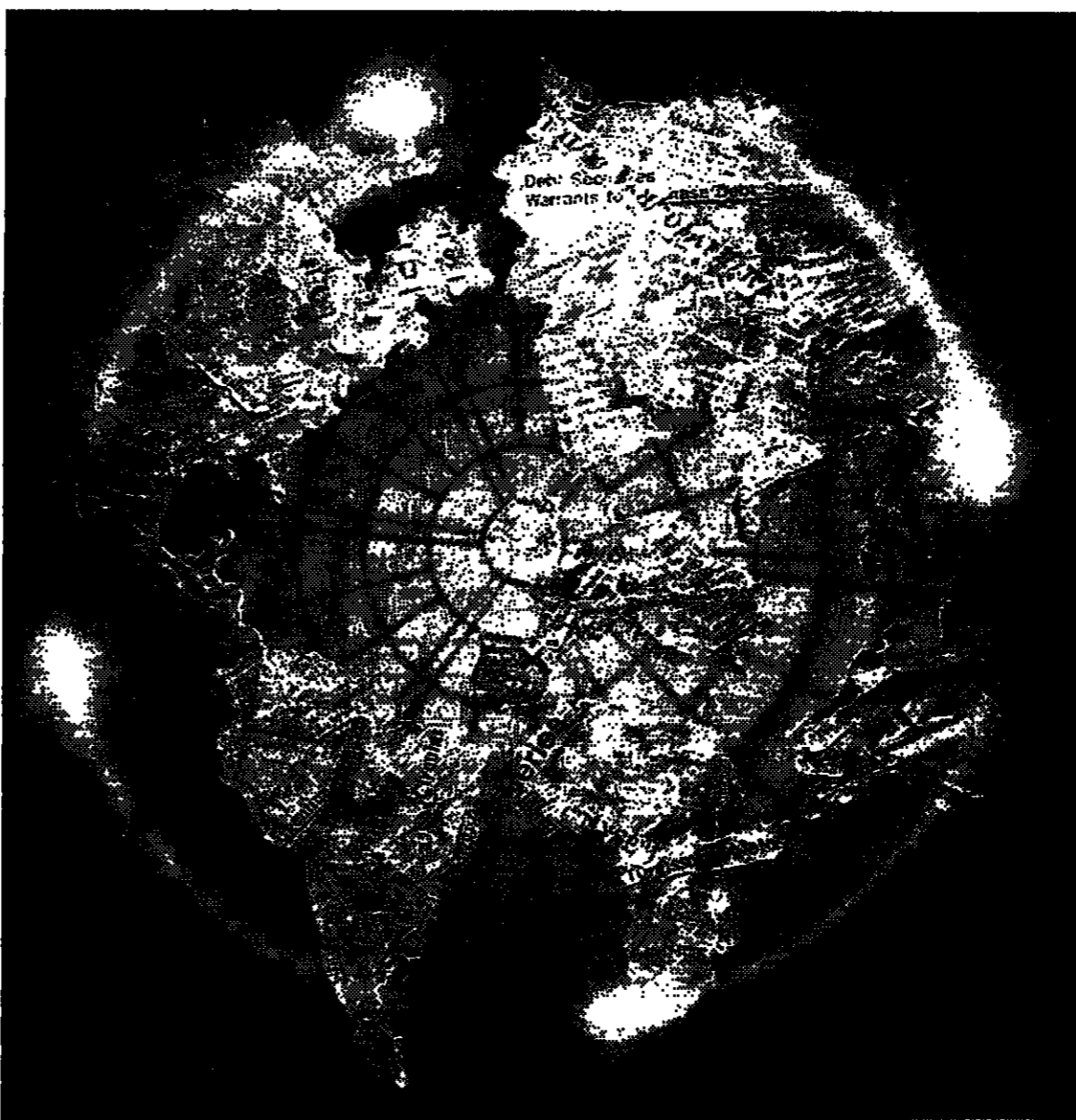
A similar "wall of money" effect could be taking place in Europe, though in the absence of a significant individual savings market it is made up of transfer money - from bonds to equities by large institutional investors and from domestic to European markets.

The dominance of a handful of large companies worries active fund managers, who invest in a broader range of companies than their index-tracking rivals. "The worst case scenario is that 10 or 15 companies get the lion's share of cross-border investment," says Mr Hochman. He uses the Japanese stock market of 1989 as an example of what can happen when a handful of companies become overinflated.

Investors will be watching the performance of large companies carefully in the coming year, when the impact of cross-border investing in Europe will become apparent.

Jane Martinson

8 Of The World's Top 10 Banks Trust Their Global Processing To ADP...



Shouldn't You?

Today's global marketplace demands that financial institutions operate in any security, in any market, at any time. That's why the most notable firms have turned to ADP Brokerage Services—the world's leading vendor for securities processing systems. Together through our Brokerage Processing Services, Wilco International and ICI/ADP divisions, ADP provides a globally integrated processing platform. You can trust our systems to streamline operations, consolidate reporting, and create a unified set of customer, product and financial information. And most importantly, ADP delivers overall enterprise-wide solutions!

Use the global industry leader whose expertise is responsible for:

- serving more than 250 clients in 20 countries worldwide,
- processing approximately 1 million trades daily, including more than 15% of all North American equities,
- interfacing with more than 50 major exchanges and execution points worldwide, including SWIFT and Euroclear,
- transacting a broad range of financial instruments, from listed equities and fixed-income securities to exotic options, repos, and derivatives, and
- leading the industry in Y2K and EMU readiness.

Don't trust your securities processing to anyone but the best! To find out how you too can keep pace with the world's top financial institutions, contact Arlene Driscoll of ADP Brokerage Services toll free at 888-237-1900 or driscolla@bis.adp.com.



New York • London • Geneva • Hong Kong • Tokyo • Toronto • Denver

INTERNATIONAL CAPITAL MARKETS

Investors take flight to safe haven

BENCHMARK BONDS By Arkady Ostrovsky in London and John Laherte in New York

Government bond markets soared yesterday as investors sought safe havens after Brazil's surprise devaluation...

Hedge funds and banks fled to Treasuries, sparking a slide in equities in early trading, although the Dow Jones Industrial Average was recovering in afternoon trading...

The outlook is good for Treasuries, said Richard Giliberto at Paribas Capital Markets. "There is concern that Argentina, Mexico and Peru will be forced to devalue their currencies, and that Brazil could be forced to devalue again or to float its currency."

The flight to safety and the strong performance in the US also pushed up the European markets, which saw a sharp rise in trading activity. The German bund future closed 0.27 higher at 117.03.

Brazil's shadow falls on issuers

NEW ISSUES By Khozem Merchant

Brazil's financial crisis cast its shadow across the new issues market yesterday, forcing some issuers to revise the terms of their offerings to attract jittery investors...

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for US DOLLARS, EURO, and STERLING.

ABN AMRO was intended to tap into the Japanese bank's good distribution in Japan. Some 35 per cent of Nomura's allotment was bought by Japanese investors...

Liffe to allow conversion to Euribor

By Vincent Boland

The London International Financial Futures and Options Exchange will allow investors in its three-month euribor futures contracts to convert to three-month Euribor contracts next week...

RATINGS COMMERCIAL PAPER DOWNGRADED Fitch IBCA warns on Russian debt

By John Thornhill in Moscow

Fitch IBCA, the international credit rating agency, yesterday warned that the Russian government's deteriorating finances threatened its ability to service its post-1992 eurobonds...

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS table showing prices for Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK, and US.

BOND FUTURES AND OPTIONS

Table for France, Germany, Italy, Spain, and UK, showing futures and options prices for various maturities.

US CORPORATE BONDS

Table showing corporate bond prices for various companies like GE, IBM, and others.

INTERNATIONAL BONDS

Table showing international bond prices for various countries and currencies.

10 YEAR BENCHMARK SPREADS

Table showing 10-year benchmark spreads for various countries.

UK Gilts Prices

Table showing UK Gilts prices for various maturities.

US INTEREST RATES

Table showing US interest rates for various terms.

UK Indices

Table showing UK indices like FTSE 100 and FTSE 250.

EMERGING MARKET BONDS

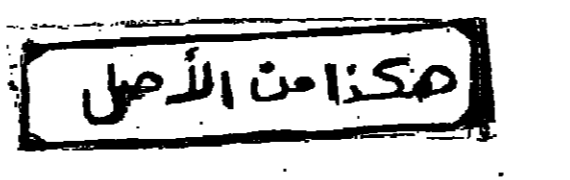
Table showing emerging market bond prices for countries like Argentina, Brazil, and Mexico.

FTSE Actuaries Government Securities

Table showing FTSE Actuaries Government Securities prices for various maturities.

Other Flood Interest

Table showing other flood interest rates for various countries.



Brazilian real bows to the inevitable

MARKETS REPORT

By Alan Beattie

The prophets of Latin American doom were vindicated yesterday as the Brazilian real was in effect devalued by 8 per cent, and the governor of its central bank resigned.

Long-term real peg bears exhibited a degree of morbid satisfaction yesterday that their predictions had come true. "Looking at the daily capital outflows, it is clear that private investors did not share the official enthusiasm of the Brazilian government and the International Monetary Fund (IMF) that the peg would hold."

The impact of the Brazilian devaluation took predictable forms throughout the world's currencies. The fall-out from the crisis was felt most immediately in the rest of Latin America. The Mexican peso dropped by around 10 per cent to around 11 pesos to the dollar. But later it recovered, and by the end of London trading had recouped half of its losses at 10.5 pesos.



Other emerging market currencies also fell. The zloty was fixed at 4.5 per cent above the middle of its trading band yesterday, compared with Tuesday's fix of 7.7 per cent and a five-month high of nearly nine per cent reached last week.

The technical change that so shook currency markets seemed relatively minor. The central bank announced two changes. The first was the lowering of the wide band - within which the real is intended to trade throughout the next 12 months - to R\$1.20-R\$1.32.

FOUND IN NEW YORK

The real dropped immediately to the bottom of its new band of R\$1.30-R\$1.32. New market analysts expect that the new band would be just for long, with some predicting that Brazil would be forced to let the currency float completely or to adopt a harsher currency regime such as a currency board.

Table with columns: Jan 13, Last, Prev, Close. Rows include Euro, Yen, Pound, Swiss Franc, etc.

POUND SPOT FORWARD AGAINST THE POUND

Table showing pound spot and forward rates against the pound for various currencies and terms.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing dollar spot and forward rates against the dollar for various currencies and terms.

Table of exchange rates for various currencies including Euro, Yen, Pound, Swiss Franc, etc.

Table of exchange rates for various currencies including Euro, Yen, Pound, Swiss Franc, etc.

OTHER CURRENCIES

Table showing exchange rates for other currencies like Czech, Hong Kong, etc.

WORLD INTEREST RATES

Table showing world interest rates for various currencies and terms.

CROSS RATES AND DERIVATIVES

Table of exchange cross rates for various currencies.

UK INTEREST RATES

Table showing UK interest rates for various terms.

EMU EUROPEAN CURRENCY UNIT RATES

Table showing EMU European currency unit rates for various currencies.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

UK MONEY RATES

Table showing UK money rates for various terms.

INTERNATIONAL CURRENCY RATES

Table showing international currency rates for various currencies.

THREE MONTH EURO DOLLAR FUTURES

Table showing three month Euro dollar futures prices.

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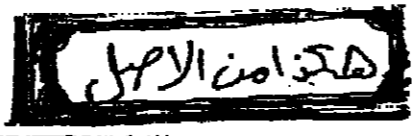
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IBCA... Russian debt



Forex Futures & Options advertisement with contact information.

Berkeley Futures Limited advertisement.

Futures & Options \$5-\$22 advertisement.

mini Reuters advertisement.

Shares - Tax Free advertisement.

Offshore Companies advertisement.

International Futures Corporation Limited advertisement.

Market-Eye advertisement.

TENFORE advertisement.

FOREX - FUTURES - OPTIONS advertisement.

ALL FUTURES, OPTIONS & MARGINED FOREX advertisement.

ED & F MAN DIRECT advertisement.

OFFSHORE COMPANIES advertisement.

REAL-TIME ELECTRONIC FOREX DEALING advertisement.

FutureSource advertisement.

FOREXIA FAX advertisement.

FOREX 24 HOURS advertisement.

TRACK DATA'S NEW SYSTEM FOR THE MILLENNIUM advertisement.

From Data Broadcasting Corporation advertisement.

FOREX - FUTURES - OPTIONS advertisement.

COMMODITIES & AGRICULTURE

Australia keeps up shipments to Iraq

Australia yesterday announced the sale of 600,000 tonnes of wheat to Iraq, its third largest wheat export market...

AWB, formerly a state-run organisation known as the Australian Wheat Board, said the sale proceeded under the United Nations Oil for Food programme...

Japanese set up A\$5m tea plant in Victoria

Australian farmers have agreed to establish a green tea plantation and processing plant for one of Japan's largest green tea producers...

The A\$5m (US\$3.2m) venture would be built near the plantation, which will be built near the plantation...

The green tea processing plant, which will be built near the plantation, would process 100 tonnes of green tea...

Local authorities hope to expand the crop throughout the municipality as the processing plant expands...

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Brazilian turmoil fails to lift gold

Gold again failed to live up to its reputation as a hedge against uncertainty; its price eased in spite of the Brazilian devaluation...

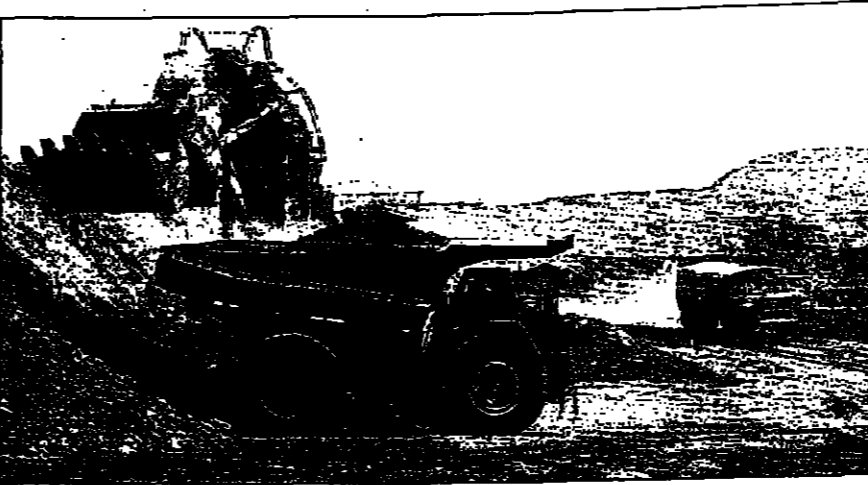
Australian iron ore groups fight to minimise price cuts

In negotiations with Japanese steel mills, exporters are playing a waiting game in a hostile climate, writes Stephen Wyatt

Australian iron ore producers, embroiled in a second round of negotiations with Japanese steel mills over 1999 contract iron ore prices and volumes, have settled in for a long haul...

Australian Bureau of Agricultural and Resource Economics, an independent government commodity forecasting and consulting group, forecasts that iron ore will generate A\$4.3bn (\$3.76bn) in export revenue in 1999-00...

Iron ore and coking coal are the primary raw materials used in the manufacture of blast furnace crude steel. World pig iron production - a critical factor in the iron ore contract price negotiations - is declining at an accelerating rate...



Iron will: price cuts are inevitable but producers appear determined to limit the reduction

Iron will: price cuts are inevitable but producers appear determined to limit the reduction. The Japanese steel mills will offer reward the early settler with higher contracted volumes...

Once one producer agrees to a contract price with the Japanese steel mills the other producers would not only have to accept the price, but also watch the early settler reap the benefit of greater contracted volumes...

Increases - 5.8 per cent in 1996, 6 per cent in 1997, 1.1 per cent in 1998 and 2.82 per cent in 1999. Merrill Lynch is at the friendly end of forecasts, expecting a 7 per cent price reduction, while Gordon Cumming at AME Mineral Economics expects a price cut of between 6 and 9 per cent...

COMMODITIES PRICES

BASE METALS

Table with columns for commodity names, units, and prices. Includes items like Gold, Silver, and various metals.

Precious Metals continued

Table showing prices for gold, silver, and platinum in various units.

GRAINS AND OIL SEEDS

Table listing prices for wheat, maize, and other grains.

SOFTS

Table showing prices for coffee, cocoa, and other soft commodities.

MEAT AND LIVESTOCK

Table listing prices for various types of meat and livestock.

LONDON TRADED OPTIONS

Table showing option prices for various commodities in London.

LONDON SPOT MARKETS

Table listing spot market prices for various commodities.

ENERGY

Table showing prices for oil, gas, and coal.

PRECIOUS METALS

Table showing prices for gold, silver, and platinum.

LONDON BULLION MARKET

Table listing prices for gold, silver, and platinum in the London bullion market.

NATURAL GAS

Table showing prices for natural gas.

PULP AND PAPER

Table listing prices for various types of pulp and paper.

INDEXES

Table showing various commodity and stock market indexes.

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CROSSWORD

Crossword puzzle grid with clues and a solution key.

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FT MANAGED FUNDS SERVICE

Offshore Funds

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Table listing Bermuda funds including PricewaterhouseCoopers Bermuda Fund Ltd, PricewaterhouseCoopers Bermuda Fund II Ltd, etc.

CAYMAN ISLANDS (REGULATED)**

Table listing Cayman Islands funds including Adelphi Europe Fund, Africa Emerging Markets Fund, etc.

NIS Meridian Funds

Table listing NIS Meridian Funds including NIS Meridian Global Fund, NIS Meridian US Fund, etc.

GUERNSEY (REGULATED)**

Table listing Guernsey funds including Guernsey Global Fund, Guernsey US Fund, etc.

Royal Bank of Canada QIS FI Merit Ltd - Contd.

Table listing Royal Bank of Canada funds including Royal Bank of Canada Global Fund, Royal Bank of Canada US Fund, etc.

GUERNSEY (REGULATED)**

Table listing Guernsey funds including Guernsey Global Fund, Guernsey US Fund, etc.

Abacus Pacific International Fund Plc

Table listing Abacus Pacific International Fund Plc funds including Abacus Pacific Global Fund, Abacus Pacific US Fund, etc.

GUERNSEY (REGULATED)**

Table listing Guernsey funds including Guernsey Global Fund, Guernsey US Fund, etc.

Global Asset Management (BAM)

Table listing Global Asset Management funds including Global Asset Management Global Fund, Global Asset Management US Fund, etc.

IRELAND (REGULATED)**

Table listing Ireland funds including Ireland Global Fund, Ireland US Fund, etc.

AMC Global Management Company Limited

Table listing AMC Global Management funds including AMC Global Management Global Fund, AMC Global Management US Fund, etc.

IRELAND (REGULATED)**

Table listing Ireland funds including Ireland Global Fund, Ireland US Fund, etc.

AMC Asset Management - Contd.

Table listing AMC Asset Management funds including AMC Asset Management Global Fund, AMC Asset Management US Fund, etc.

IRELAND (REGULATED)**

Table listing Ireland funds including Ireland Global Fund, Ireland US Fund, etc.

J. Rothschild International Assets Plc

Table listing J. Rothschild International Assets Plc funds including J. Rothschild International Assets Plc Global Fund, J. Rothschild International Assets Plc US Fund, etc.

ISLE OF MAN (FSA RECOGNISED)

Table listing Isle of Man funds including Isle of Man Global Fund, Isle of Man US Fund, etc.

Get on a JAL flight to Japan, and end up somewhere in Europe. Japan Airlines are offering double bonus miles on flights from Europe to Japan...

Japan Airlines are offering double bonus miles on flights from Europe to Japan, between 10th January and 30th April, 1999. This means that new JAL Mileage Bank members need only make one JAL Executive Class Seasonal return trip...

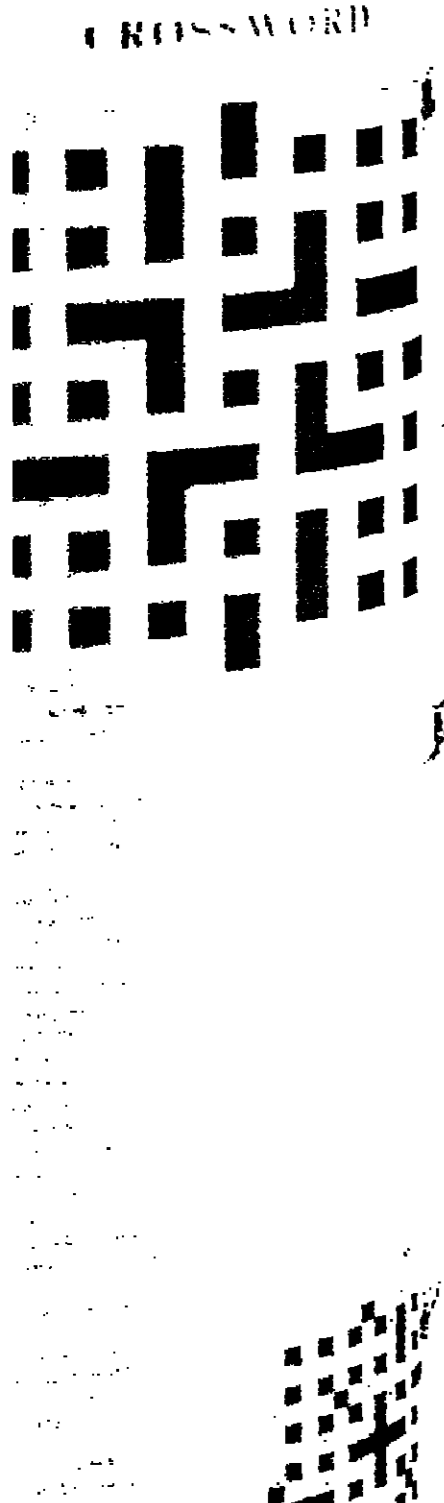
For more information or to join the JAL Mileage Bank visit our web site at www.jal-europe.com



A BETTER APPROACH TO BUSINESS

Main table listing various international funds including Global Fund, Global Growth Fund, Global Income Fund, etc.

Brazilian turmoil fails to lift gold



Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cytel Unit Trust Prices are available over the telephone. Call the FT Cytel Help Desk on (+44 1773) 872 4278 for more details.

Main table containing financial data for various funds and insurance companies, organized into columns and rows. Includes sub-sections for Jersey (Regulated), Luxembourg (FSA Recognised), and Luxembourg (Regulated).

OFFSHORE INSURANCES

Table listing offshore insurance companies and their respective financial details.

Handwritten note in Arabic script: 'صكرا من الاموال'

السوق المالية

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cheque Unit Trust Prices are available over the telephone. Call the FT Cheque Help Desk on (+44 171) 873 4376 for more details.

Table of fund data including columns for fund name, type, and price. Includes sections for 'OTHER OFFSHORE FUNDS' and 'AEB Global Trading Investments Ltd'.

Table of fund data including columns for fund name, type, and price. Includes sections for 'The Environmental Investment Co Ltd' and 'Global Asset Management - Credit'.

Table of fund data including columns for fund name, type, and price. Includes sections for 'Morgan Stanley Global Allocation Fund Ltd' and 'Schroder Investment Management (Singapore) Ltd'.

Advertisement text: 'THE NUMBER OF PEOPLE OVER 60... WILL TRIPLE BY 2030. IT'S TIME FOR... YOUR INVESTORS' RETIREMENT... STRATEGIES TO MULTIPLY AS WELL.' Includes a small logo.

MANAGED FUNDS NOTES: Prices are shown in US dollars unless otherwise stated. Values are as at the end of the reporting period. Values are in US dollars unless otherwise stated. Values are in US dollars unless otherwise stated.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Guinness	10.00
Heineken	10.00
Stout	10.00
Wolfe	10.00

BANKS, RETAIL

Barclays	10.00
HSBC	10.00
London	10.00
Midland	10.00
Paragon	10.00
TSB	10.00
Windsor	10.00

BREWERIES, PUBS & REST

Beck's	10.00
Carlsberg	10.00
Heineken	10.00
Stout	10.00
Wolfe	10.00

BUILDING MATS. & MERCHANTS

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

CHEMICALS

ICI	10.00
ICI	10.00
ICI	10.00
ICI	10.00
ICI	10.00

CONSTRUCTION

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

CONSTRUCTION - Continued

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

DISTRIBUTORS

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

DIVERSIFIED INDUSTRIALS

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

ELECTRICITY

Woolston	10.00
Woolston	10.00
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Woolston	10.00
Woolston	10.00

ELECTRONIC & ELECTRICAL EQPT

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

ENGINEERING

Woolston	10.00
Woolston	10.00
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Woolston	10.00
Woolston	10.00

ENGINEERING - Continued

Woolston	10.00
Woolston	10.00
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Woolston	10.00
Woolston	10.00

ENGINEERING, VEHICLE

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

EXTRACTIVE INDUSTRIES

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

FOOD PRODUCERS

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

HEALTH CARE - Continued

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

HOUSEHOLD GOODS & TEXT

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

FOOD PRODUCERS - Continued

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

GAS DISTRIBUTION

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

HEALTH CARE

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

INSURANCE - Continued

Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00
Woolston	10.00

INVESTMENT TRUSTS

Woolston	10.00
Woolston	10.00
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INVESTMENT TRUSTS - Continued

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Financial Times Surveys

World Steel

Thursday May 13

For further information please contact:

Catherine Markey in Edinburgh
Tel: +44 131 220 1109 Fax: +44 131 220 1578
email: catherine.markey@FT.com

or Haj Haffeeje in London
Tel: +44 171 873 4281 Fax: +44 171 873 4862
email: haj.haffeeje@FT.com

FINANCIAL TIMES
No FT, no comment.

سكدا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS
The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Index

INVESTMENT COMPANIES
List of investment companies with their respective share prices and market data.

PROPERTY - Continued
List of property-related companies and their share prices.

SUPPORT SERVICES - Continued
List of support services companies and their share prices.

TRANSPORT - Continued
List of transport companies and their share prices.

AIM - Continued
List of Alternative Investment Market (AIM) companies and their share prices.

LEISURE & HOTELS
List of leisure and hotels companies and their share prices.

LIFE ASSURANCE
List of life assurance companies and their share prices.

OIL EXPLORATION & PRODUCTION
List of oil exploration and production companies and their share prices.

PHARMACEUTICALS
List of pharmaceutical companies and their share prices.

PROPERTY - Continued
Continuation of property-related companies.

PROPERTY
List of property-related companies.

SUPPORT SERVICES - Continued
Continuation of support services companies.

TELECOMMUNICATIONS
List of telecommunications companies and their share prices.

TRANSPORT - Continued
Continuation of transport companies.

TOBACCO
List of tobacco companies and their share prices.

AIM - Continued
Continuation of AIM companies.

AIM - Continued
Continuation of AIM companies.

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GUIDE TO LONDON SHARE SERVICE
Price and trading volumes for the London Share Service are obtained by...
1. Price and trading volumes for the London Share Service are obtained by...
2. Price and trading volumes for the London Share Service are obtained by...
3. Price and trading volumes for the London Share Service are obtained by...
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LONDON STOCK EXCHANGE

Brazil currency turmoil triggers flight to quality

MARKET REPORT By Steve Thompson, UK Stock Market Editor

At the finish of a grim session in London's equity market yesterday, the FTSE 100 was left nursing a 183.5 fall to 5,850, its biggest single-day decline in both points and percentage terms, since December 1.

extended right across the board with the FTSE 250 registering its first three-figure slide since October 8 and the SmallCap also being punished. The 250 index settled 102.0 lower at 4,874.4, almost erasing its new year gains while the SmallCap index dipped 31.3 to 2,108.6.

to Wall Street and then inflicting Asian and European markets. São Paulo's 7 per cent decline on Tuesday was followed by a 145-point slide in the Dow Jones Industrial Average overnight and a 4 per cent fall in the Hong Kong market.

opened for business with US investors, anticipating a big sell-off on Wall Street, apparently selling London and other European markets. Wall Street duly came in sharply lower, the Dow retreating more than 200 points before fighting back strongly; 90 minutes after London closed, the Dow showed just an 80-point fall.

markets by cutting interest rates. "It is worth mentioning that the Federal Reserve's open market committee meets on February 3 and the Bank of England's monetary policy committee the day after. I think this setback is a good buying opportunity," he said.

will remain volatile in the short term." Richard Jeffrey at CCF Charteredhouse said: "Markets always overreact to these situations. We simply don't know how deep these problems could become. The fear is you can't ring-fence the situation. On the domestic front my worry is the economy is more robust than expected. Today's jobs report was much stronger than forecast."

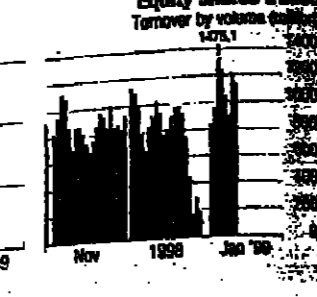
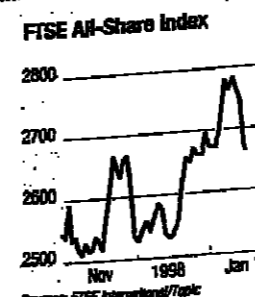


Table with 2 columns: Index and Ratio. Includes FTSE 100, FTSE 250, FTSE All-Share, and various performance ratios.

Lloyds exposed to debt

COMPANIES REPORT By Peter John, Joel Khazoo and Bertrand Benoit

Lloyds TSB fell sharply, leading UK bank stocks down amid concerns over its exposure to Brazil and other emerging markets.

Other banks were also unsettled by the Brazil situation. Standard Chartered fell 84 to 742p and NatWest 105 to 110.6p. The sharp market retreat failed to check the strong advance that propelled electrical goods retailer Dixons Group to a record close after it reported better-than-expected data.

Analysts were particularly pleased with current trading, which saw like-for-like sales in the first eight weeks of the second half improve 3 per cent on a year earlier. "The tone of the meeting was not only confident but very positive, which reassured many of us," said one specialist.

issued profits warnings and sent their shares plunging. By the close, the stock had surrendered 79 or more than 30 per cent to 1894p, by far the worst performer in the FTSE 250. It dragged Cookson Group lower, those shares closing 13 poor at 1224p.

credit card business and an increase in the amount it plans to return to shareholders. Sears rose 26 to 5104p. The group said it planned to raise the amount of cash to be returned from a minimum of £84m, which it announced in October, to £215m.

Shares in Siebe, which yesterday won shareholder approval for its merger with BTR, closed 6% off at 2084p. The shares stood at 215p when the deal was announced in November. BTR shares ended the day 4% off at 1124p.

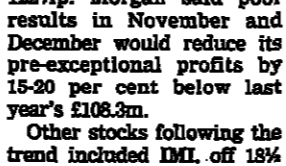
FUTURES AND OPTIONS

Table with multiple columns showing futures and options prices for FTSE 100, FTSE 250, and FTSE All-Share.

FT 30 INDEX

Table showing FT 30 index data for Jan 13, 12, 11, 8, 7, 6, 5, 4, 3, 2, 1, 1998.

Best and worst performing FTSE sectors



STOCK MARKET TRADING DATA

Table showing stock market trading data including SEAG, Equity turnover, and Total turnover.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues with columns for Issue, Price, and Volume.

FTSE GOLD MINES INDEX

Table showing FTSE Gold Mines Index data for Jan 13, 12, 11, 8, 7, 6, 5, 4, 3, 2, 1, 1998.

However, analysts said the fall in Lloyds' share price was only a kneejerk reaction. One said: "Obviously if the situation in Brazil worsens, Lloyds will be affected but I think the impact should not be as grave as the share decline seems to be suggesting."

SEARS ROEBUCK

Kingfisher bounces Kingfisher was among a handful of retailers to buck the market trend. The shares bounced from Tuesday's decline to close a penny higher at 6574p.

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Large advertisement for European Community Newspaper with a large headline and subscription information.

FTSE Actuaries Share Indices

Table showing FTSE Actuaries Share Indices for various sectors like 10 Resources, 12 Extractive, etc.

The UK Series

Table showing The UK Series data for various indices.

TRADING VOLUME

Table showing trading volume for major stocks yesterday.

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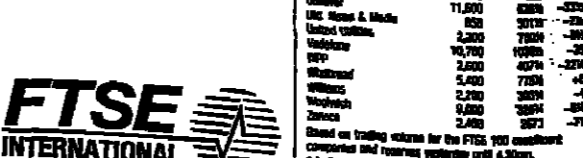
FINANCIAL TIMES No FT, no comment.

Hourly movements

Table showing hourly movements for FTSE 100, FTSE 250, FTSE All-Share, etc.

Further information

Further information is available on http://www.ft.com. © FTSE International Limited 1999. All rights reserved.



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World Stock Markets

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €
Austria (Jan 13 1€ = 13.76036 Sch)

Belgium (Jan 13 1€ = 40.33993 Fr)

France (Jan 13 1€ = 6.55957 Fr)

Germany (Jan 13 1€ = 1.93627 M)

Italy (Jan 13 1€ = 1936.27000 Lit)

Spain (Jan 13 1€ = 166.38000 Pes)

UK (Jan 13 1£ = 100.00000 P)

Finland (Jan 13 1€ = 5.94572 Mk)

Portugal (Jan 13 1€ = 200.48200 Esc)

Switzerland (Jan 13 1Fr)

Turkey (Jan 13 1TL)

Poland (Jan 13 1zł = 100.00000)

Denmark (Jan 13 1DKK)

Greece (Jan 13 1€ = 340.75000 Dr)

Netherlands (Jan 13 1€ = 2.0371 Fr)

EUROPE (NON-EMU)
(52 week high low % chg)

Switzerland (Jan 13 1Fr)

Turkey (Jan 13 1TL)

Poland (Jan 13 1zł = 100.00000)

Denmark (Jan 13 1DKK)

Greece (Jan 13 1€ = 340.75000 Dr)

India (Jan 13 1₹ = 100.00000)

Indonesia (Jan 13 1Rp)

Japan (Jan 13 1¥)

Korea (Jan 13 1₩)

Malaysia (Jan 13 1RM)

Philippines (Jan 13 1₱)

Singapore (Jan 13 1S\$)

Mexico (Jan 13 1MXN)

New Zealand (Jan 13 1NZD)

Pakistan (Jan 13 1PKR)

Saudi Arabia (Jan 13 1SR)

South Africa (Jan 13 1ZAR)

Taiwan (Jan 13 1NTD)

Thailand (Jan 13 1฿)

Rockwell
Collision avoidance systems from Rockwell Collins clear the skies for safer flying.

FTSE ACTUARIES WORLD INDICES

Table of FTSE Actuaries World Indices showing US, European, Japanese, and Emerging Markets indices with values for Jan 13 1999.

Emerging markets: IFC investable indices

Table of IFC investable indices for Latin America, Asia, Africa, and Eastern Europe with values for Jan 12.

NEW YORK STOCK EXCHANGE PRICES

4 Jan 1999 13

Main table of stock prices with columns for stock symbols, company names, and prices. Includes sections for 'NEW YORK STOCK EXCHANGE PRICES' and 'NASDAQ'. The table is organized into several columns, each representing a different market or category of stocks.

EUROBENCH INSECTS INDICES table with columns for index name, date, and value. Includes a brief description of the indices and their components.

Handwritten Arabic text: 'صدا من الاجل' (Voice from the future)

NASDAQ logo

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GLOBAL EQUITY MARKETS

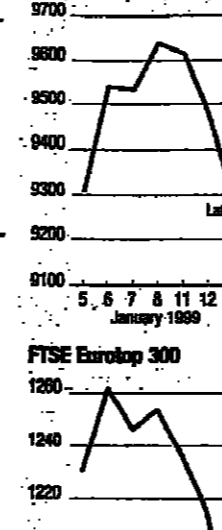
US INDICES

Table of US indices including Dow Jones, S&P 500, and NYSE Composite with columns for date, high, low, and change.

US DATA

Table of US data including market activity, volume, and various economic indicators.

Dow Jones



JAPAN

Table of Japanese market activity including Nikkei 225 and TOPIX indices.

FRANCE

Table of French market activity including CAC 40 index.

GERMANY

Table of German market activity including DAX index.

UK

Table of UK market activity including FTSE 100 index.

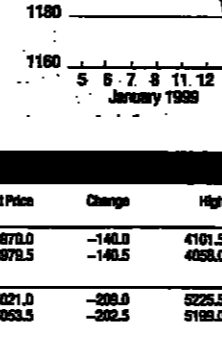
RATIOS

Table of financial ratios including P/E, dividend yield, and other metrics.

INDEX FUTURES

Table of index futures for S&P 500, Dow Jones, and other indices.

FTSE EURO 300



WORLD MARKETS AT A GLANCE

Large table providing a global overview of equity markets, including indices, changes, and volume for various countries.

THE NASDAQ-AMEX MARKET GROUP

Table listing NASDAQ-AMEX market group stocks with columns for stock name, price, and change.

THE NASDAQ-AMEX MARKET GROUP

Table listing NASDAQ-AMEX market group stocks with columns for stock name, price, and change.

Vertical text on the left margin: "son finance chief", "early retirement"

Vertical text on the left margin: "ary reinvestment", "stead profits up 29%", "to sell Banca Jovet"

Vertical text on the left margin: "an group mulls FT link"

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